



POSITIVE MOMENTUM



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We are an experienced and innovative investment company with a high quality diversified portfolio of equity stakes in some of Sri Lanka's most successful companies. We primarily take long term positions in our portfolio, but also have an actively traded portfolio capitalizing on short term market movements. Driven by a team of dedicated investment professionals, we take pride in our fundamental approach to stock selection and believe our market expertise and local knowledge is unparalleled, giving us positive momentum in Sri Lankan capital markets.

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Financial Highlights



In Rupees thousands

| For the year ended/as at 31st March | 2014 | 2013 | Change (%) |
|--|-------------|------------|------------|
| Revenue | 496,779 | 445,977 | 11 |
| Profit from operations | 457,551 | 472,042 | (3) |
| Share of profit of equity accounted investees net of tax | 726,501 | 728,539 | - |
| Profit before taxation | 1,182,416 | 1,200,571 | (2) |
| Profit for the year | 1,152,357 | 1,181,968 | (3) |
| Total other comprehensive expense for the year | (1,032,086) | (101,844) | 913 |
| Total comprehensive income for the year | 120,271 | 1,080,124 | (89) |
| Net cash generated from operating activities | 16,037 | 492,886 | (97) |
| Total equity | 8,425,372 | 8,723,789 | (3) |
| Return on ordinary shareholders' funds (%) | 13.68 | 13.55 | 1 |
| Earnings per share (Rs) | 11.70 | 12.00 | (3) |
| Dividend per share (Rs) * | 2.50 | 1.75 | 43 |
| Net assets per share - Book value | 85.52 | 88.55 | (3) |
| Net assets per share - Market value | 117.55 | 130.74 | (10) |
| Ceylon Investment PLC - Fund value ** | 11,865,565 | 12,855,629 | (8) |
| Stock market data | | | |
| All share price index | 5,968 | 5,736 | 4 |
| S&P SL 20 Index (points) | 3,280 | 3,294 | - |
| Market capitalisation (000') | 7,339,358 | 7,881,190 | (7) |
| Share price (Rs.) | | | |
| Year end | 74.50 | 80.00 | (7) |
| High | 102.00 | 115.00 | (11) |
| Low | 73.10 | 58.10 | 26 |

* Based on proposed / Interim dividends.

** Based on fair value of portfolio after adjusting for cash and cash equivalents



Chairman's Statement



Chairman's Statement

I welcome you to the 68th Annual General Meeting of the Company and on behalf of the Board of Directors take pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2014.

The year under review has been a quiet one with the Colombo stock market recording marginal positive growth during the period under review. Global equity markets have been challenged with the announcement of the quantitative easing tapering and the uncertainties thereby were impacting emerging markets like the Colombo Bourse. However on the domestic front, we saw an ideal environment being mapped for a buoyant equity market with interest rates steadily coming down, with the Central Bank setting the direction with policy rates. Economic fundamentals also improved setting the foundation for solid economic growth, with a steady interest and exchange rate regime. However investor confidence remained cautious and we saw local participation at a low, preferring a wait and see approach and opting for fixed income instruments such as debentures that offered attractive lower risk returns. However foreign funds were net buyers during the period of review and were seen collecting fundamental stocks at low valuations. We at Ceylon Investment being long term investors embraced this opportunity to grow the portfolio by transforming from fully valued to undervalued enterprises. Market volatility during the year under review increased thus presenting opportunities for both buying and selling of securities. The Colombo bourse flagged a positive return of 4.06% for the period March 2013/14.

Despite the volatile effects of both local and overseas macro factors, at Ceylon Investment we still remain confident of the long term potential of Sri Lankan equities and the sustainability of the economic development plans set in place. We believe that the long term development potential of Sri Lanka will flow through to its

equity markets and indicators such as market capitalisation to GDP (currently 29%) will improve over time. For this to happen, we need a greater depth of companies to invest in, growth in good quality corporate earnings and strong foreign inflows. Needless to say serious investor confidence will improve when policy makers as well as corporates take action to demonstrate sustainable growth in the economy and business environment. At national level, we reckon this would envisage stable macro-economic indicators and consistent policy framework governing private sector investments. At corporate level, aggressive growth strategies, investment into profitable expansion and good governance and management structures would warrant serious long term investor consideration and commitment.

We are encouraged by the rapid developments in capital markets with the influx of listed debenture issues which will help open up an active debt market; as well as the concept of unit trust investing gaining popularity and momentum. Furthermore, the entry of new institutional private equity investors to the unlisted market is an encouraging sign that this space too would improve in discipline and professionalism over time. We recognise the efforts that policy makers and regulators have made to spur capital market development over time and hope that future enactments would further strengthen the steps already taken.

The Company recorded a profit after tax of Rs. 1.2 bn despite volatile conditions. A marginal upside of 4.06% was recorded for the benchmark All Share Price Index and the more select Standard & Poor SL 20 recorded a negative 0.41%. Our portfolio value decreased to Rs. 11.86 bn, from Rs. 12.86 bn a year earlier; recording a depreciation of 7.70% vis-à-vis the index growth given above. The actively managed portfolios grew 8.05% vis-à-vis the market performance of 4.06% on the ASPI. Our performance was attributed to booking of profits on selected overvalued stocks, capturing market

anomaly and booking substantial capital gains despite subdued market conditions.

On evaluating the medium term performance, five year compounded portfolio growth rate was 31.1 % p.a. on market value basis and 49.2% p.a. on market capitalization, vis-à-vis an All Share Index growth of 29.5% p.a for the same period. This highlights the long term track record of Ceylon Investments. The buildup of cash by the portfolio is now evident with the intention of investing only when fundamentals justify acquisition. Sizeable cash yields a return to the investors by way of interest income adding to the total return of Ceylon Investment.

The management of the active portfolio of the company has been entrusted to Guardian Fund Management Limited, the asset management company of the Carson Cumberbatch Group. It is registered with and regulated by the Securities and Exchange Commission of Sri Lanka. Guardian's positioning as a fully fledged investment company in the Sri Lankan market supported by its own capital, will be reinforced with the key focus areas being identified as customised institutional portfolio management, unit trust management and private equity management. Core competencies in each area have been strengthened through core teams who have chosen each aspect of the business as their desired career path.

On the country perspective, visible infrastructure development is taking place in terms of road network, ports and airports, which have been funded by the public sector. This no doubt would add to economic growth in the years ahead. Also many strategic projects have been approved by the Government showing its commitment in attracting foreign direct investments by offering many concessions to attract these investors. The large scale development projects will add to the impetus of the country's growth going forward. We remain excited about Sri Lanka's growth prospects. We will look to embrace this opportunity by buying into attractively valued





companies at opportune times exploiting the vagaries of the markets. In the global context, Sri Lanka is no longer shielded from international upheavals and hence new risks have been added to the local investor.

The current challenges faced by Sri Lanka on its international standing will have to be managed to attract global companies to set up operations and commit direct investments. On the aspect of regaining confidence, the country could offer a better business friendly and transparent environment by positive reinforcement of private sector enterprise, a speedy and efficient legal process and essentially gaining higher ranking in terms of the ease of doing business. The importance of supporting foreign exchange earning industries cannot be over emphasised given Sri Lanka's current state of dependence on imports to fuel its drive towards growth.

In conclusion, I would like to thank the shareholders for the confidence placed in the management over the years and to the regulators for supporting our businesses. I would also like to thank the members of our staff for their untiring contribution; the Audit Committee, the Remuneration Committee and the Nomination Committee for their guidance and lastly my colleagues on the Board for their valued input. We believe that all our stakeholders would benefit and be a part of the identified growth path of the Company and urge the investors to have confidence going forward.

(Sgd.)

Israel Paulraj
Chairman

25th June 2014
Colombo



Managers' Commentary



Economy in Perspective

The Sri Lankan economy recorded a GDP growth of 7.3% in 2013, up from 6.3% recorded in year 2012. GDP growth was driven by the industry and service sectors. The economy rebounded in the second half of the year with the agriculture sector coming on stream with favourable weather conditions. The industries sector which accounts for 31% of GDP contributed 9.9% to GDP growth during the year. The services sector, which accounts for 58% contributed 6.4% and agriculture sector which accounts for 11% contributed 4.7%.

continued to record a surplus as a result of buoyancy in tourism, transport and information services. For the year, earnings from tourism (up 35% yoy) and workers remittances (up 13% yoy) cushioned the current account of the Balance of Payments.

Exports for 2013 grew by 6.3% to reach US\$ 10.39 bn. Rapid growth was experienced towards the end of 2013 in apparel exports to Sri Lanka's key markets of USA and EU. Imports declined in 2013 by 6% to US\$ 18.0 bn on account of a decline in intermediate goods and investment goods by 8.9% and 7.3% respectively. The overall trade deficit

(DFCC) raised US\$ 1,350 mn and financial inflows in the form of foreign loans were also significant totalling US\$ 2,900 mn which resulted in the BOP recording a surplus of US\$ 985 mn. During the same period, gross official reserves by end December 2013 amounted to US\$ 7,495 mn, whereas total international reserves (gross official reserves and foreign assets of commercial banks) amounted to US\$ 8,574 mn equivalent to 5.0 months and 5.7 months of imports respectively.

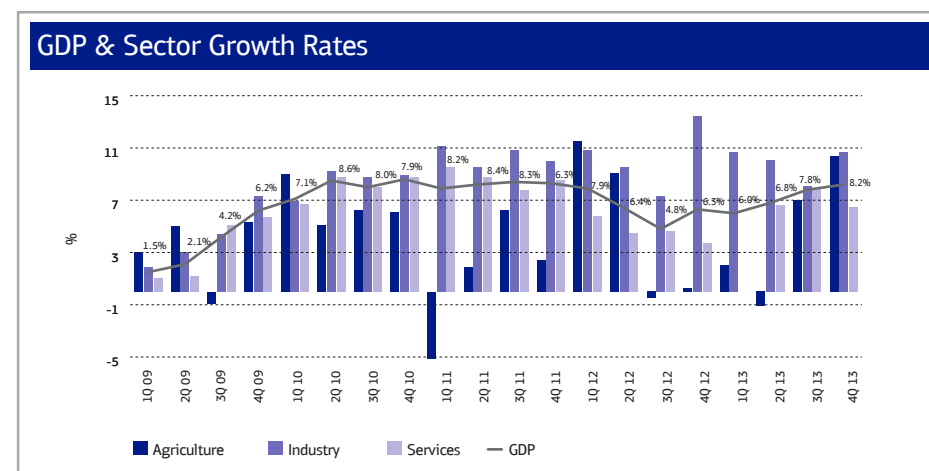
Inflation, as measured by the CCPI, eased to 4.7% on a year on year basis for December 2013 from a year to date high of 9.9% in February 2013. A positive trend is demonstrated with consumer price inflation (year-on-year) being at single digit levels for the fifth consecutive year, continuing the declining trend in 2013.

In line with the easing of monetary policy, liquidity in the domestic money market rose significantly and remained in excess throughout 2013 with excess rupee liquidity averaging around Rs. 23 bn. Also additional liquidity was released to the market with the reduction of Statutory Reserve Ratio (SRR) in July 2013.

The Central Bank reduced policy rates throughout 2013 resulting in significant declines in the overall interest rate structure. The Standing Deposit Facility Rate and Standing Lending Facility Rate were reduced by 1.0% and 1.5% respectively to 6.5% and 8.0% with announcements in May 13, Oct 13 and Jan 14. The Statutory Reserve Ratio was reduced by 2.0% in July 13 to increase liquidity in the financial system. The benchmark 364 day T-bill and 91 day T-bill fell by 340 basis points and 246 basis points respectively reacting aggressively to policy rate reductions. Fixed deposit rates which are also anchored to the T-bill rates fell sharply with bank fixed deposit rates providing net returns similar to T-bill after deducting withholding tax towards the start of 2014.

narrowed by US\$ 1.8 bn which is a decline of 19.2% compared to the deficit in 2012. Thus the external current account deficit narrowed to 3.9% of GDP in 2013 from 6.7% in the previous year as a result of improved earnings from merchandise exports, service exports and worker remittances.

Inflows in the form of foreign direct investment (FDI) amounted to US\$ 1,421 mn with the infrastructure and manufacturing sectors attracting the highest inflows. Foreign investments in government securities via issuance from state institutions such as National Savings Bank (NSB), Bank of Ceylon (BOC) and Development Finance Corporation of Ceylon

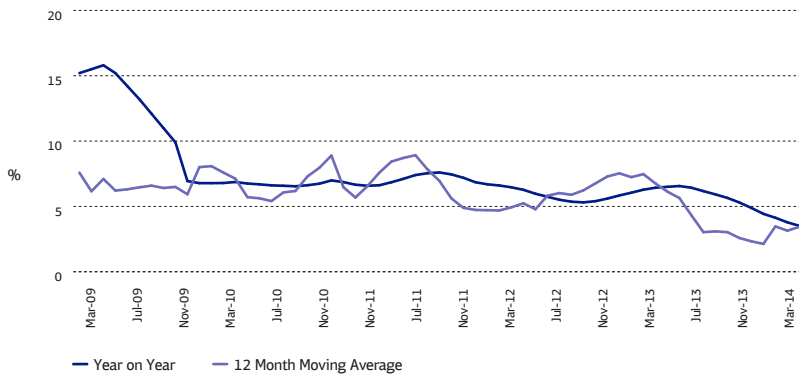


The country's GDP per capita at market prices improved to US\$ 3,280 in 2013 from US\$ 2,922 in 2012 on track in achieving the long term goal of US\$ 4,000 per capita by 2016. Total Gross Domestic Product (GDP) of the country now is at US\$ 67 bn at current market prices. For the year Jan – Dec 2013, Sri Lanka posted a Balance of Trade deficit of US\$ 7,609 mn, a reduction from US\$ 9,417 mn recorded last year. The contraction in the trade account was due to the pickup in exports together with the continued decline in imports. Also higher gross earnings on account of export of services and remittances from workers contributed to narrowing the external current account deficit significantly during 2013. The services account





Inflation-CCPI Core



government security yields depending on how foreign investors react. Thus far the reaction of foreign government security holders has been mild. However, significant selling of government securities by foreign holders and remitting such proceeds back to their respective countries can cause sharp movements in interest rates and the exchange rate.

Additionally, a critical factor to watch in terms of maintaining strong economic fundamentals would be the sustainability of export growth and the ability to control the trade deficit, if imports do pick up. This would have a trickle down impact on the currency as well as interest rates and inflation. Sri Lanka's debt to GDP ratio now stands at 78.3% and debt servicing costs would impact the fiscal position significantly if the currency were to depreciate. The fiscal deficit at 5.9% of GDP is vulnerable to both recurrent and capital expenditure and debt servicing costs.

As capital market participants, we are encouraged by the positive effect that currency stability, low interest rates and benign inflation would have on corporates. A pick up in credit growth would be essential to bring about the next wave of economic activity but the resulting impact on interest rates and imports need to be watched.

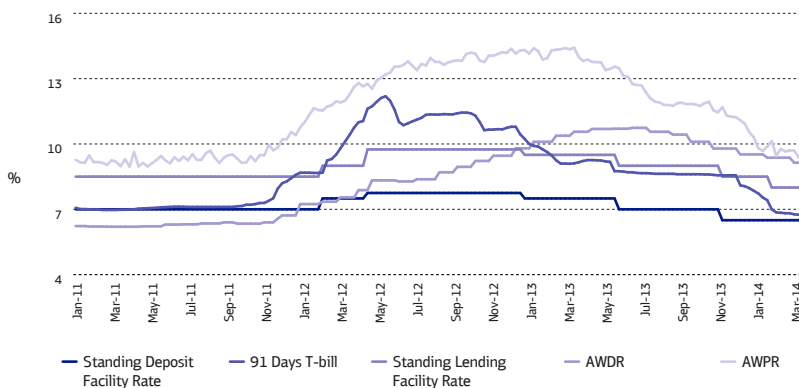
We believe that the economic fundamentals are conducive to positive capital market performance. The key indicators are improving and likely to add to the impetus of the country's growth momentum. However in the short term global shocks could adversely impact us and challenge the status quo. But in the long term we count on all the important indicators trending positively towards greater investment, growth and stability. Policy makers' proactive stance on some of these issues is evident with the Central Bank unveiling the Master Plan for consolidation in the financial sector, with the aim of building a strong, dynamic and internationally competitive financial sector.

| | Dec 12 | Mar 13 | Jun 13 | Sept 13 | Dec 13 | Mar 14 |
|---------------------|--------|--------|--------|---------|--------|--------|
| Treasury Bill 3M(%) | 10.00 | 9.26 | 8.66 | 8.60 | 7.54 | 6.65 |
| 12M (%) | 11.69 | 11.35 | 10.66 | 10.57 | 8.29 | 7.05 |
| Call Money (%) | 9.85 | 9.49 | 8.55 | 8.43 | 7.73 | 6.94 |
| Prime Lending (%) | 14.40 | 13.77 | 12.09 | 11.94 | 9.88 | 8.57 |

Net credit to private sector has slowed down to single digit levels of 7.3% as at November 2013 compared to 31.6% in July 13. Despite low rates, sluggish lending by banks has also resulted in increasing liquidity levels in the banking system further depressing deposit rates. The yield curve which had a flat

structure at the start of 2013 saw a decline of approximately 340 basis points in the shorter tenors and 225 basis points on the longer 5 year tenors. This has resulted in a more normalised upward sloping curve as at year end. The announcements of tapering quantitative easing in the USA may bring about upward pressure in

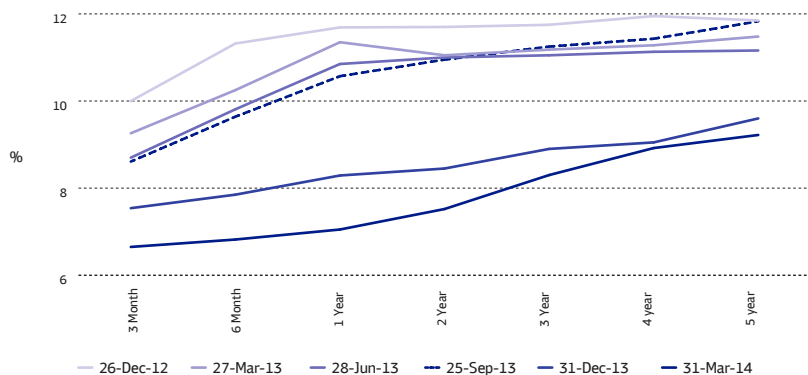
Money Market Rates



Managers' Commentary



Treasury Yield Curve



year in the first month (Jan 2014) recording an appreciation of 5.67% and marginally appreciating 0.94% for the three month period (Jan to March 2014).

Daily average turnover levels for the first half of 2013 was a healthy Rs.1.02 bn, however, the second half of the year saw a decline to Rs.646 mn indicating lower participation in the latter half of the year. Also daily average turnover ranging from Rs. 500 mn to Rs. 1,000 mn was evident in the first quarter of 2014.

Taking into account a more longer term perspective, the market has given a compound annual negative growth (CAGR) of 6.18% p.a in the last three years and a positive 29.51% p.a taking a five year period, demonstrating that market cycles and volatility do persist for a long time, and in this instance the prolonged correction may be a response to the exuberant highs that were recorded after the war ended. However what is observed is that on long cycles, equity markets continue to offer above average returns in comparison to fixed income yields and is a better hedge for inflation.

Much of the market activity has been from the foreign side. A net foreign outflow of approximately over Rs. 6,848 mn has been recorded in the New Year (for the period Jan to Mar 2014). This is against a total net inflow of

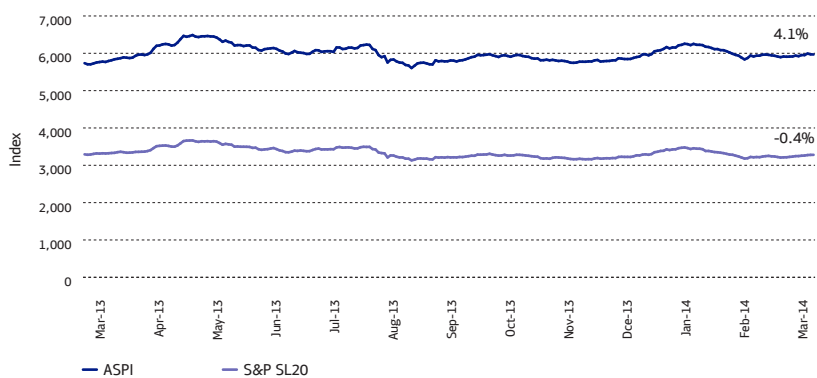
| | SLRs. Per unit as at 31/12/12 | SLRs. Per unit as at 31/12/13 | SLRs. Per unit as at 31/03/14 | App./ (Dep) for calendar year 2013 | App. / (Dep.) for calendar year 2014 to date |
|-------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--|
| US \$ | 127.16 | 130.75 | 130.67 | -2.75% | 0.06% |
| STG | 205.47 | 215.58 | 217.12 | -4.69% | -0.71% |
| Euro | 168.13 | 180.45 | 179.50 | -6.83% | 0.53% |
| Yen | 1.48 | 1.25 | 1.28 | 18.78% | -2.4% |

Equity Markets

The All Share Price Index (ASPI) increased marginally by 4.78% for the calendar year 2013. For the financial year April 2013 to March 2014 the ASPI increased by 4.06%. The market was buoyant in the first half of 2013 where it reached a high of 15% in May 2013. However, after August the market weakened significantly on account of volatility in large capitalised counters such as John Keells Holdings and Ceylon Tobacco caused by foreign investors reacting to international developments on QE tapering. However, trading picked up in the New Year of 2014 with investors refocusing on equities. Net foreign inflows to the Colombo Stock Exchange amounted to Rs. 22.7 bn and were focused mostly on banks, conglomerates and multinationals. The positive mood however was short lived with market enthusiasm tapering off during months of February and March to close the All Share Index at 5968 levels. During

the period of review, market traded between a low of ASPI 5800 index level and high of ASPI 6400 index level, giving a trading band of 600 basis points. Since then, a resurgence of activity has been recorded in the new financial

ASPI and S&P SL20 1 Year Movement

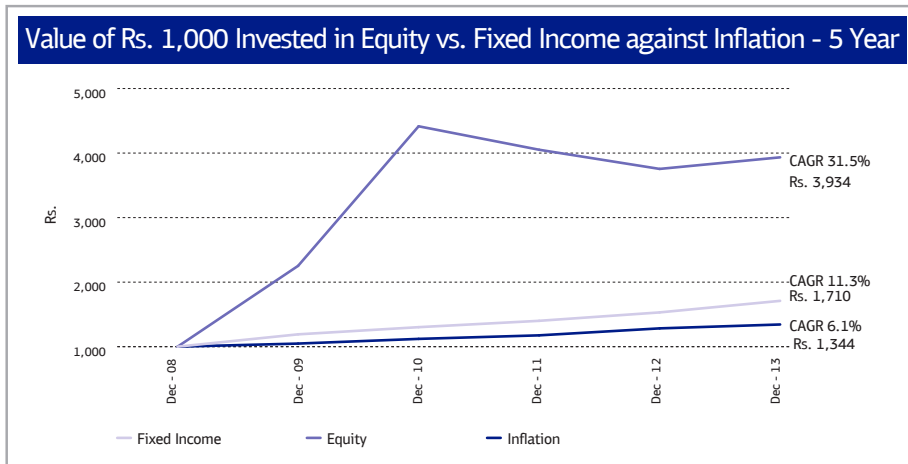




| | 31st Dec 12 | 31st Mar 13 | 31st Dec 13 | 31st Mar 14 | Movement for 2013 | Movement for 2014 to date | Movement for F/Y 2013/14 |
|----------------|-------------|-------------|-------------|-------------|-------------------|---------------------------|--------------------------|
| ASPI | 5,643.0 | 5,735.6 | 5,912.7 | 5,968.3 | 4.7% | 0.9% | 4.1% |
| Avg.T/O Rs.mn | 649 | 909 | 641 | 594 | -1.2% | -7.3% | -34.6% |
| Mkt Cap Rs. bn | 2,167.5 | 2,205.0 | 2,459.9 | 2,498.0 | 13.4% | 1.5% | 13.2% |
| Mkt P/E ratio | 15.9 | 15.5 | 15.9 | 15.9 | -0.1% | 0.1% | 2.7% |

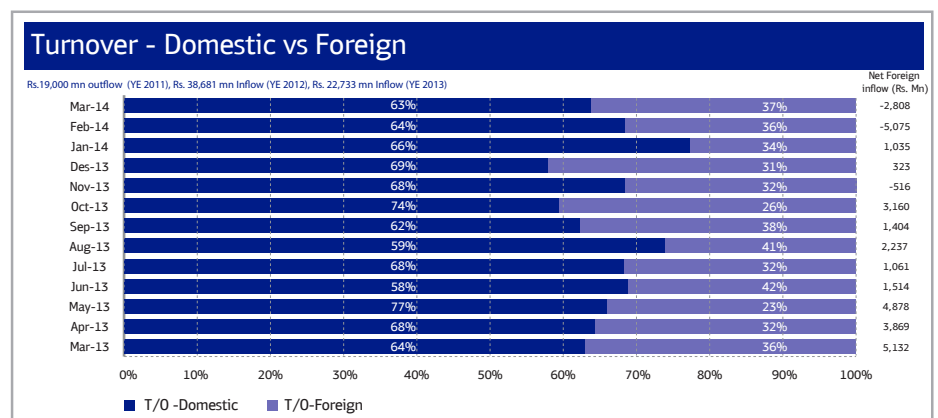
at 36% end March 2013. Retail interest was limited due to low investor confidence. However institutional activity has been encouraging. Also during the period of review, investors were seen shifting funds to listed debentures at attractive yields, raising funds to the value of Rs. 68.2 bn in 2013. Demand by both corporate and retail investor category was evident due to tax advantage and in the backdrop of declining interest rate scenario. Thus capital raising via the IPO route was minimal with limited public offerings raising Rs. 2 bn in value. Rights issues raised Rs. 25.6 bn during the calendar year 2013 in contrast to Rs. 13.3 bn raised through in 2012. Dividend yield of the market increased to 2.9% in 2013 from 2.4% in 2012.

The CSE is currently trading at a 15.93 times PE ratio based on last year's earnings, down from a all time high of 25 times recorded in Feb 2011. The average PE band we have witnessed at the Colombo Stock market has been 14 times taking a long cycle. On a 1 year forward earnings 2014/15 the market is trading at 11.5 times and 2 year forward earnings 2015/16 the market comes down to 10.2 times. However the CSE remains fairly valued vis-à-vis other regional markets. The performance of the Sri Lankan stock market in relation to other regional peers has been poor. The developed markets have been showing attractive gains due to the turnaround of their economies. The US has shown improvements in their economic



Rs.22.7 bn recorded in 2013. Foreign interest or activity was evident on counters such as Commercial Bank, John Keells Holdings, Hatton National Bank, Aitken Spence, Ceylon Tobacco and Chevron Lubricants. However mixed sentiment was evident on the counters with both selling and buying from foreign fund managers. The outflow in the current calendar year is due to flight of capital from emerging markets with funds selling out due to redemptions and transforming to developed markets. Also foreign investors in such funds have been shifting from equities to fixed income asset class putting pressure on over valued or fairly valued markets. On the other hand frontier markets have been spared. The positive factor was on the domestic participation increasing with both institutional and retail activity being evident, posing a healthy outlook to the market in the future.

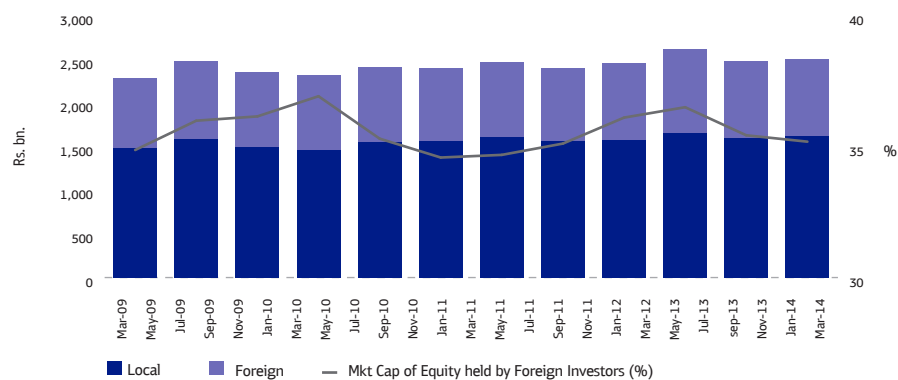
Market capitalisation of the CSE remained above the Rs. 2 tn mark at Rs. 2.48 tn, with domestic participation at 63% and foreign participation at 37% as at end March 2014 in comparison to domestic mix of 64% and foreign participation



Managers' Commentary

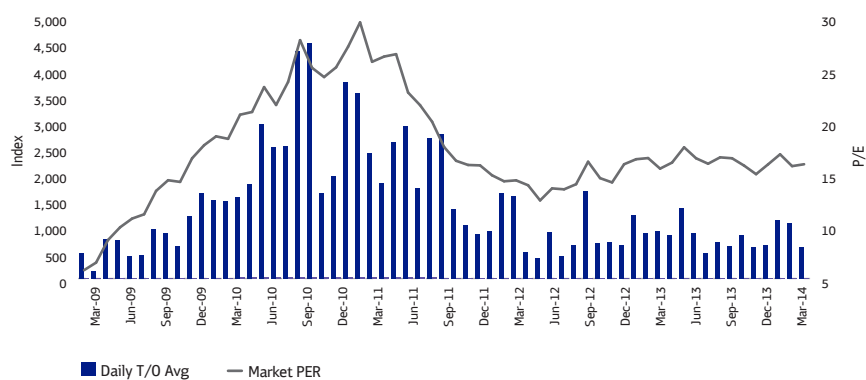


Foreign Exposure to Equity Holdings at CSE



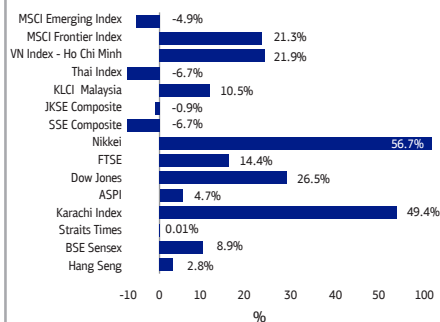
| Sector | Mar-14 | Mar-13 | Performance |
|------------------|-----------|----------|-------------|
| Bank finance | 13,288.16 | 13,227.3 | 0.5% |
| Bev food tobacco | 19,273.09 | 16,057.6 | 20.0% |
| Chemicals | 5,900.70 | 6,667.4 | -11.5% |
| Construction | 2,734.1 | 2,695.8 | 1.4% |
| Diversified | 1,780.1 | 1,888.9 | -5.8% |
| Footwear textile | 728.8 | 780.4 | -6.6% |
| Health care | 820.9 | 581.6 | 41.1% |
| Hotels travels | 3,152.0 | 3,306.2 | -4.7% |
| Investment trust | 17,039.2 | 17,569.6 | -3.0% |
| IT | 81.0 | 80.1 | 1.2% |
| Land property | 578.5 | 476.1 | 21.5% |
| Manufacturing | 2,843.4 | 2,590.0 | 9.8% |
| Motors | 14,898.2 | 14,584.6 | 2.2% |
| Oil palms | 96,882.1 | 97,201.2 | -0.3% |
| Plantations | 717.1 | 788.7 | -9.1% |
| Power & energy | 139.6 | 102.3 | 36.5% |
| Services | 21,209.6 | 20,229.7 | 4.8% |
| Stores supplies | 18,600.8 | 21,584.4 | -13.8% |
| Telecom | 175.0 | 169.7 | 3.1% |
| Trading | 13,664.4 | 15,891.2 | -14.0% |
| ASPI | | | 4.1% |

Daily Average Turnover Vs Market PE

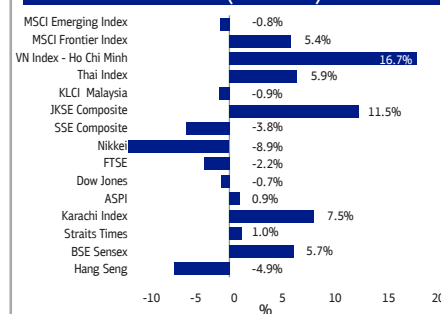


indicators such as unemployment, housing and confidence levels. Also the Euro zone has shown a turnaround from the brink of collapse and much is expected in the year ahead. Taking a cue from these factors, markets in these regions have done spectacularly well. Thus markets like the Colombo Bourse has under performed. During the period of review, the market cap to GDP declined marginally to 29% with the country's GDP growing at a faster pace than the market capitalisation.

International Market Performance 2013



International Market Performance 2014 (Jan-Mar)



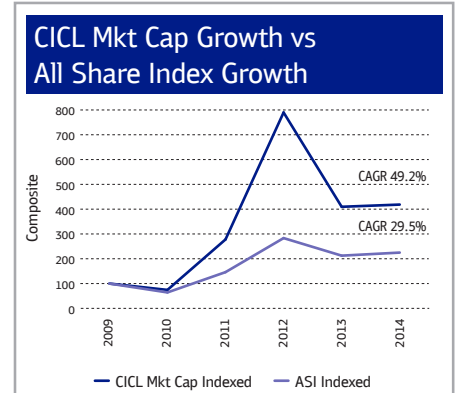
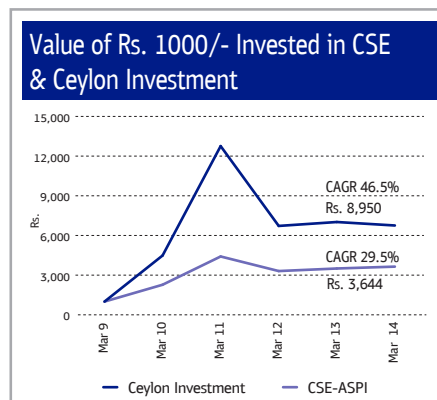


Comparative Price Earnings Ratios

| INDEX | MARKET | CURRENT YR | 1 YR FORWARD EST. |
|----------------------------|-----------|------------|-------------------|
| ASPI | Colombo | 12.39 | 10.82 |
| Sensex | Bombay | 16.61 | 14.19 |
| Dow Jones Industrials | New York | 14.84 | 13.60 |
| FTSE 100 | London | 13.34 | 12.29 |
| Hang Seng | Hong Kong | 10.25 | 9.43 |
| JCI Composite | Jakarta | 15.20 | 12.92 |
| Nikkei 225 | Tokyo | 19.22 | 16.41 |
| SSE Composite | Shanghai | 7.87 | 6.86 |
| ST Times | Singapore | 14.32 | 12.96 |
| Bursa Malay | Malaysia | 16.33 | 14.91 |
| Set | Thailand | 13.13 | 11.6 |
| Karachi 100 | Pakistan | 8.02 | 7.13 |
| IBOV | Brazil | 10.17 | 9.00 |
| IPSA | Chile | 15.32 | 13.22 |
| RTS IS | Russia | 5.07 | 5.00 |
| MSCI Frontier mkts (MXFM) | | 11.93 | 10.57 |
| MSCI Emerging Index (MXEF) | | 10.35 | 9.35 |

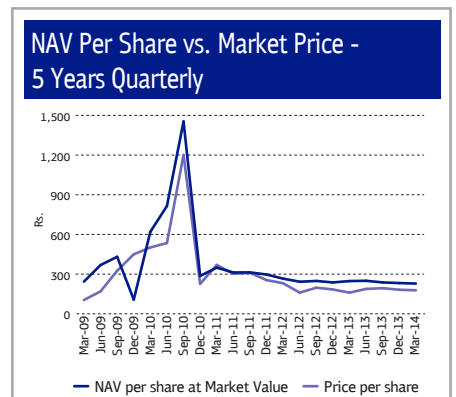
Financial Review and Shareholder Returns

Ceylon Investment PLC reported a profit after tax of Rs. 1,152.3 mn for the year ended 31st March 2014, on a revenue of Rs. 496.8 mn. The profit after tax recorded a decrease of 3% and revenue recorded an increase of 11%. Also an annual portfolio depreciation of Rs.990.1 mn was recorded for the period under review (2013 depreciation of Rs. 841.7 mn)



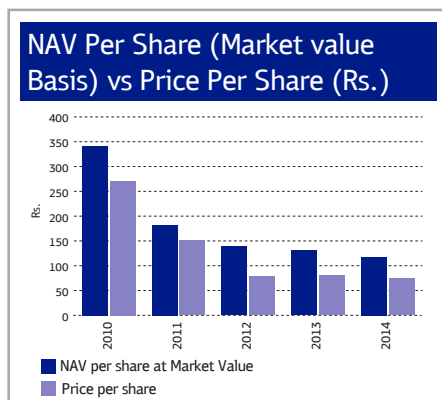
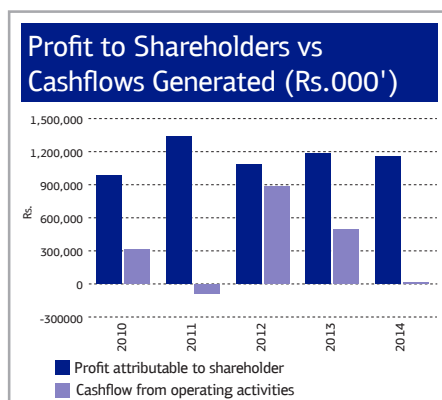
The Company's EPS decreased to Rs. 11.70 from Rs.12.00, a decrease of 3%. The value per share of the Company amounts to Rs. 117.55 on a market price based net asset valuation. However the market price of the Company is trading at a discount of 36.7% as at 31st March 2014.

The Company paid an interim dividend of Rs. 2.50 per share, an improvement on the dividend of Rs. 1.75 paid in 2012/13. The Company has been maintaining a consistent dividend policy to match shareholder expectations despite the vagaries of the stock market. The dividend yield of the Company has increased to 3.36%, Shareholder wealth gain during the year was -3.75%.



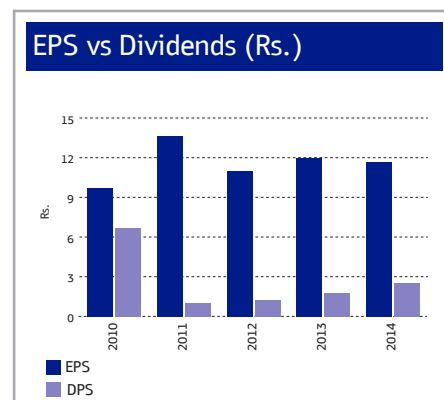
Managers' Commentary

Cash generated from operations amounted to Rs. 16.0 mn as at end March 2014, thus strengthening the cash position to Rs. 806.5 mn. This is a decrease of Rs. 155.5 mn from last financial year of Rs. 961.9 mn.



Total shareholder return for the year 2013/14 has been -3.75% taking into account both share price appreciation and cash dividend received for the year. Taking a more long term horizon, the shareholders of Ceylon Investment got a return of 46.52% as depicted in table 'Shareholder Returns' given above. In comparison to market benchmark performance your investment has grown above the market average.

| Shareholder Returns | 31-3-2009 | 31-3-2010 | 31-3-2011 | 31-3-2012 | 31-3-2013 | 31-3-2014 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| ASPI | 1,638 | 3,725 | 7,226 | 5,420 | 5,736 | 5,968 |
| ASPI gain | -35.8% | 127.4% | 94.0% | -25.0% | 5.8% | 4.1% |
| Start of the year | | | | | | |
| - Quantity | 1,000 | 1,000 | 801 | 4,085 | 4,085 | 4,085 |
| - MPS | 78.00 | 58.00 | 271.00 | 151.00 | 78.30 | 80.00 |
| - Wealth | 78,000 | 58,000 | 217,071 | 616,835 | 319,856 | 326,800 |
| Dividend | | | | | | |
| - DPS | 7.00 | 6.70 | 1.00 | 1.25 | 1.75 | 2.50 |
| - Value | 7,000 | 42,978 | 801 | 5,106 | 7,149 | 10,213 |
| End of the year | | | | | | |
| - Quantity | 1,000 | 801 | 4,085 | 4,085 | 4,085 | 4,085 |
| - MPS | 58.00 | 271.00 | 151.00 | 78.30 | 80.00 | 74.50 |
| - Wealth | 65,000 | 260,049 | 617,636 | 324,962 | 333,949 | 314,545 |
| Annual Shareholder wealth gain % | -16.7% | 348.4% | 184.5% | -47.3% | 4.4% | -3.75% |
| Total return to shareholders - 5Y | | | | | | 46.52% |



Investment Performance and Strategy

Ceylon Investment portfolio is segmented into discretionary and non-discretionary components based on ability to influence decision making on purchases and disposals. The discretionary component of the portfolio is further made up of the trading portfolio and long term portfolio

to reflect different approaches to management. The total portfolio on market value basis is valued at Rs. 11.86 bn at the year end from Rs. 12.86 bn as at 31st March 2013, a depreciation of 7.70% against the benchmark All Share Index appreciation of 4.06% and Standard & Poor SL 20 Index depreciation of 0.41% for the same period. The composite performance is detailed below.

Our investment strategy is based on a fundamental bottom up approach to investing which is very much research based. Our research models place an intrinsic value on companies we track and our decisions to buy/sell would be based on whether share price is under/overvalued to the determined intrinsic value. Our decisions are driven by a qualitative evaluation of the investee's business model, competitive positioning, financial strength, management capability and expansion possibilities. However, when investing, we tend

| As at 31st March | 2014 | 2013 | Change % |
|--------------------------------|------------|------------|----------|
| Discretionary portfolio ('000) | 3,971,624 | 3,675,880 | 8.0 |
| Total portfolio ('000) | 11,865,565 | 12,855,629 | (7.7) |
| Benchmark - ASPI (Points) | 5,968.3 | 5,735.7 | 4.1 |



Top 5 Holdings

| Company | Market value (000') | % of total portfolio MV |
|-------------------------------|---------------------|-------------------------|
| Commercial Bank of Ceylon Plc | 617,643 | 19.52 |
| John Keells Holdings Plc | 375,258 | 11.86 |
| Dialog Axiata Plc | 292,766 | 9.25 |
| Sampath Bank Plc | 269,211 | 8.51 |
| Aitken Spence Plc | 213,814 | 6.76 |

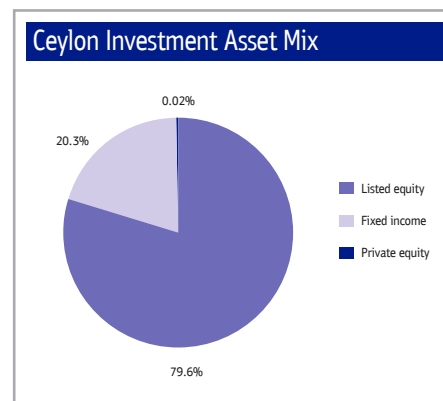
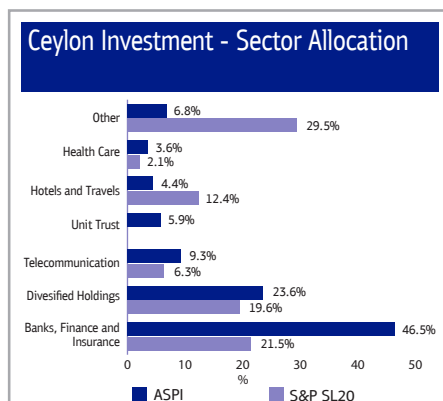
to look at the macro level picture as well as to determine the attractiveness of the environment when making investment decisions. This is more as a guide to determining the environment of investing than forming an opinion on investment finds. We regularly balance our existing portfolio and transform from overvalued to undervalued stocks. Similarly, we make calls when we totally get out of stock and remain in cash until such time as we discover a potential undervalued company that fits our investment profile.

Our portfolio continues to lean heavily on the diversified sector, which is a proxy for tourism, bank & finance, food & beverages and the palm oil sectors. This sector covers a broad spectrum of businesses from which we get indirect exposure being in this sector. We built exposure to Aitken Spence PLC but were limited in accumulating Hemas Holding before the share over shot our buy price range. We continue to hold a reduced exposure to John Keells Holdings the most liquid foreign driven stock on the CSE. We also are bullish on the banking & finance sector, which we believe will yield good medium to long term returns with the announcement of proposed consolidation and resulting synergies, thus holding an over – weight to the sector, which mainly constitutes Sampath Bank, Nations Trust Bank and Commercial Bank of Ceylon. The mix of banks in our portfolio ranges from higher risk balance sheets to conservative ones, and from large size to medium size commanding varying market shares. All are currently undervalued in terms of forecast valuations. We remain under weight to beverages, food & tobacco sector which is the largest sector

at the CSE due to our portfolio's stance on the multinational companies represented in the sector, which were perceived to be over valued. The minimal exposure in the sector has negatively impacted the portfolio in the year under review. Also our underweight continues on health care and telecommunication sectors, due to selling of our holding in Asiri Hospitals. However on the reversal, we accumulated Dialog our only exposure to the telco sector at good prices. Our portfolio concentration on a few sectors supports our philosophy of stock picking and we are not overly worried of the mismatches between ourselves and the index. However, our conviction in investing in what we know in terms of industry potential, growth, risk factors and competition would determine future selection of potential stocks.

During the year ended 31st March 2014, Ceylon Investment made Rs. 1,508.7 mn of new investments and Rs. 1,096.3 mn of divestments. Hence, Ceylon Investment has been a net buyer in the market, whereby a cumulative cash position of Rs. 809.2 bn was built in keeping with our strategy of divesting when investee companies share prices go beyond intrinsic prices. Till such time of identifying undervalued stocks we would look to earn interest income on excess cash.

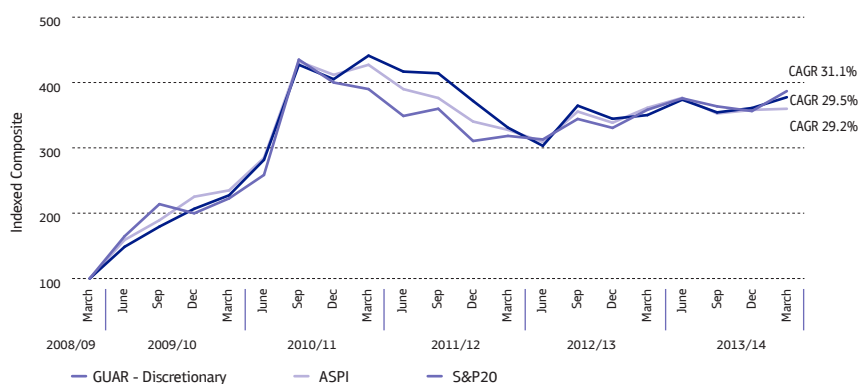
The task of identifying good investments at undervalued prices has been a challenge in the year under review. Our research team has looked at some interesting companies with unique business models, where we have met with management and formed our views. It has been an interesting journey evaluating prospective and current investee companies and meeting with the management to base our opinions. Our quantitative research findings have been enhanced with the qualitative findings on corporate governance, compliance and human resource management. Our learning has been extensive from experiences from the companies we have invested in and will continue our best practice of looking for the best match that fit our criteria.



Manager's Commentry

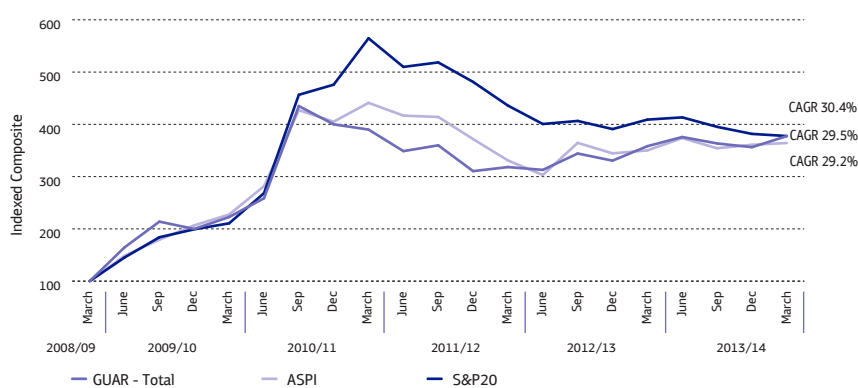


Discretionary Portfolio Performance 5 Year CAGR



| Performance | 1 Year | 3 Year | 5 Year |
|-------------------------|--------|--------|--------|
| Discretionary Portfolio | 8.0% | -0.3% | 31.1% |
| ASPI | 4.1% | -6.2% | 29.5% |
| S&P SL 20 | -0.4% | -5.5% | 29.2% |

Total Portfolio Performance 5 Year CAGR



| Performance | 1 Year | 3 Year | 5 Year |
|-----------------|--------|--------|--------|
| Total Portfolio | -7.7% | -12.5% | 30.4% |
| ASPI | 4.1% | -6.2% | 29.5% |
| S&P SL20 | -0.4% | -5.5% | 29.2% |

management, research and support services. The Company has extended its business model to capture retail funds by managing unit trust funds via a joint venture partnership with Acuity Partners (Private) Limited. Our competencies on fixed income (FI) asset class are being built with the increase in assets under management (AUM) under this asset class.

The fund management company is a professional outfit set up with effective compliance process, code of ethics & standards of professional conduct for employees. Guardian Fund Management has expanded its operation by extending its fund management capabilities to companies outside the group funds built a portfolio of external client base consisting of provident fund, pension funds, corporate clients and a country fund. To enable the management of external client funds it has an independent compliance officer to monitor client interest and ensure objectives are being met with the risk profile of the client. The AUM under this category has grown to a sizeable amount.

Our Future View

Going forward, the equity market is expected to perform well in the medium to long term as Sri Lanka delivers on its growth potential while also benefiting from the rapid development of capital markets. Investor concerns with regard to the impact of the US Federal Reserve tapering and its impact on emerging markets may result in significant market and currency volatility depending on how foreign investors react. Other shorter term influences such as elections and international developments may result in significant market volatility.

In our view, investor sentiment at the Colombo bourse should become buoyant with interest rates at an all time low. We feel that investors should converge to equity asset class matching risk return with expected returns. The discovery of such opportunity might take time but as institutional investors we believe that much opportunity awaits on the equity front and

Profile of the Fund Managers

Ceylon Investment funds are managed by Guardian Fund Management Ltd (GFM), which is a fully owned subsidiary of the Company and

is registered with the Securities and Exchange Commission of Sri Lanka. It manages the largest listed equity fund in Sri Lanka and has built up its competencies in the field of portfolio





we would not hesitate to build positions in identified companies at our price targets. The long term sustainability of interest rates is likely to have an impact on transforming the mind set of investors. We believe it would do so in the future.

Contrary to the above, in the current year we have seen net foreign selling at the CSE due to global pull out of funds from emerging and frontier markets impacting the Colombo Bourse. Therefore we are hopeful of seeing portfolio investments in the second half of the year to select heavyweight liquid counters. Further, retail interest is likely to be drawn to the second tier or mid cap stocks thus invigorating the Colombo Bourse across the board. Thus we foresee both local and foreign buying to maintain the stock market in the coming year and a momentum driven rally is likely in the new financial year.

We believe the catalyst to market performance would be the underlying corporate earnings of the companies. Unless corporate earnings deliver on expected growth the sustainability of the market we believe is short lived. We remain confident that it could do so given country's GDP growth targets and listed companies being the proxy to the growth envisaged. Corporates also would benefit with the low interest rate scenario where project IRR would be attainable given lowering of rates across the board. This would make leveraged companies save interest costs.

Despite uncertainties clouding the Colombo Bourse, we remain confident in the long term on the potential of equities. We at Ceylon Investment do believe that equities offer above average returns in long cycles and hence are not afraid to commit long term capital to good companies at attractive price levels. At present, the CSE is trading at 14.4 times, relatively valued in comparison to other Asian markets and frontier markets. However, on a 1 year forward

earnings, the market is at PE ratio of 11.5 times and 2 year forward earnings at a PE of 10.2 times. Hence, we feel that the market offers value in the medium term.

Guardian Fund Management Limited
Investment Managers

Colombo
25th June 2014



Risk Management



Risk management is an integral part of our business, particularly since balancing risks against returns is a critical trade off decision we have to make every day when it comes to making investment decisions. We recognise the importance of risk management and have built a comprehensive risk management structure that focuses on continuous identification and management of business risks. We have in place several measures to strengthen our risk management processes which are linked to our daily investment decisions. These include policies to mitigate business risks along with the upgrading of the support systems that enable easy monitoring and management of risks.

We believe that risk management is of paramount importance in safeguarding the interest of all stakeholders and have undertaken a comprehensive review to enhance the risk mitigating processes set in place by Guardian Fund Management Limited, the investment managers of the Company.

We see risk management not as an effort to eliminate risk, but as managing risk within certain risk tolerance levels set by the Company. Risks appropriate for a particular portfolio will be assessed against the risk preferences of the investor and overall portfolio strategy. Thus different portfolios within Ceylon Investment would have differing risk profiles.

The Risk Management Structure in Place

Guardian Fund Management (GFM) has been set up as an independent fund management company and the management of the portfolios of Ceylon Investment has been delegated to this company. The Board of Directors has formulated and approved an investment framework and control limits for GFM's fund management operation. GFM's management team is responsible for the recommendation and execution of investment decisions, during the

course of which oversight and management of the business, financial and operational risks of the Company come into play. A comprehensive risk identification and management framework is in place and is monitored consistently.

GFM has been registered as an Investment Manager with the Securities and Exchange Commission of Sri Lanka since 2006 while Ceylon Guardian Investment Trust PLC and its subsidiary Ceylon Investment PLC have been registered as underwriters since 2009. GFM as well as the Company therefore, come under the purview of the capital market regulator and hence internal monitoring is done on a quarterly basis to ensure that the set regulations are adhered to. Audits by the Securities and Exchange Commission (SEC) is carried out as required. Furthermore, as a listed company Ceylon Investment PLC conform to the listing rules and guidelines of the Colombo Stock Exchange.

The Board of Directors of the above Company have ultimate responsibility for risk management. Hence the Board is supported by an organisation structure that covers the entire risk management framework through an independent Compliance Officer drawn from group level as well as the internal audit function of the Carson Cumberbatch Group to which the Ceylon Investment Company belongs. The Audit Committee of the Company has oversight over the financial reporting function of the Company, the system of internal controls as well as the audit, compliance and risk management processes. Further, an Investment Committee drawn from across the Carsons Group directorate provide advice and insights to the fund management team to further sharpen and refine their decision making process. This organisation structure determines the objectives and policies of our risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Company.

Risk Categories

Ceylon Investment has identified and categorised its risks into four categories marked, namely macro environmental risks, portfolio risks, compliance risks and operational risks.

Given below is its approach in managing these key risk areas.

Macro Environmental Risks

Country Risks

Country risk is applicable for investments made in a security issued by an entity subject to foreign laws or if transactions are entered into in markets in other jurisdictions. The sums invested and profits or returns accruing are subject to exchange control regulations, currency fluctuations, transaction costs & taxes and other actions that may be imposed by the government or policy making bodies of the said countries. Since the capital account has now been liberalised to the extent of permitting approved overseas investments upto a certain value by listed companies, this is a new risk area that we are looking to build a framework as Ceylon Investment intends to exploit new markets in the future.

Currency Risk

Where investments are denominated in currencies other than our primary reference currency which is the Sri Lanka Rupee, and where the Company is required to convert funds from one currency to another upon making investments, as well as in receiving the returns from those investments, the Company is exposed to the risk of the foreign exchange parities moving against one's investment.

This risk is not currently applicable to the Ceylon Investment as the current exposure of the Company to investments denominated in foreign currencies is nil. Looking ahead we would address currency risks in our investments on a global context, when we invest overseas





The risk exposure exists with managing the Sri Lanka Fund and portfolios of foreign investors. Here we take care to ensure that benchmark returns on such foreign currency dependent portfolios are met after currency conversions are executed. Our economic research gives us an understanding of the expectations on future currency movements for better management.

Market Risk - Domestic

The broad definition of market risk is exposure to adverse movements in the securities markets for both equity and fixed income investments, which can result in value loss as well as variations in the anticipated returns from those securities. All financial institutions face market risks, created by changes in the macro environment related to political factors, national security, economic management and globalisation influences which have an impact on systematic risk factors such as interest rates, currency parity, inflation, and availability of credit. Therefore, understanding market risks requires considering multiple dimensions and complexity in the macro environment.

Market risks are inherent in every security and are thus collectively considered at the portfolio level to take into account the asset allocation decisions of the portfolio. Thus market risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario.

All market participants such as Ceylon Investment, develop their business model, taking into account exposure limits and parameters to sustain itself when faced with market risks that can affect portfolio values. The mitigating process has been to develop a sound research base to determine changing economic fundamentals of the country, determine the impact on equity vs fixed income investments and the prompt shifting of funds between asset classes. This is of vital importance in trading portfolio decisions where quick encashment of

equities is carried out if macro indicators move adversely leading to a slow down in stock market activity.

The process of assessing market risks on investee companies also forms a vital part of our research process, where sensitivity of stock valuations to changes in economic indicators are continuously monitored.

Market Risk - International and External

These risks cannot be diversified or mitigated by the Company. There is an indirect impact of risks of other markets to our domestic market as clearly seen in the past. In the global world of cross border trade and cross border investment flows, the impact of changing economic indicators and policy is high for the domestic economy, especially in a country such as ours which is import dependent for vital commodities.

Hence in determining fund strategy we monitor key economic indicators such as interest rates, exchange rates, inflation, budget deficits, as well as global commodity prices since Sri Lanka is a net importer of essential commodities. This enables the fund team to get a feel of changing international market dynamics and in turn relate that to local developments. The entry and exit of foreign investor interest in the local market is also determined by the macro economic trends prevailing in foreign markets and relative valuations of our market vis-à-vis developed and other comparative Asian markets. Information to monitor and interpret global developments in capital markets is vital to assess and mitigate this risk.

We would build expertise in foreign markets going forward, as we would look to invest overseas gradually. In mitigating the risk we would tie up or collaborate with foreign entities that have expertise in such markets in order to gain knowledge

Portfolio Risks

General Securities Risk

Any trading in securities carries inherent investment risks associated with the entity issuing those securities. In particular the price or value of any security can and does fluctuate and may even become valueless, resulting in possible loss not only of returns and profits, but even all or part of the principal sums invested in the case of a fixed income instrument. These risks arise as a result of the overall risks faced by the issuing entity which affects its ability to provide a return to the investors holding the securities issued by it. Particularly in the case of equities, past performance of any investment is not necessarily indicative of future performance. Our approach focuses on the fact that there is no substitute for fundamental security assessment. Our portfolio management and investment selection process is designed to maximise the risk/return tradeoff to our shareholders and we employ a bottom up investment selection process.

Our risk mitigating methodology is based on our internal research process that has added value over time to our choice of investments. Prospective investments are selected from fundamental analysis and contact with corporate management of the issuing company through company visits. Once an investment is made, a continuous process of monitoring the performance of that investment is adopted.

We manage the concentration risk arising from over exposure to one security by monitoring sector exposure and single company exposure as mitigation strategies. Further, equity exposure limits at company and group level are monitored as another measure of managing risk. Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern. This helps us mitigate the downside risk of any security in the portfolio.



Risk Management



In the case of private equity, Board representation in proportion to the investment for stakes over 10% is considered necessary while for smaller stakes, monitoring mechanisms to facilitate constant evaluation of the investment are built into the shareholder agreements.

Liquidity Risk

Under certain market conditions, an investor may find it difficult or impossible to liquidate a position. This can occur when trading is suspended by the exchange on which a security is listed or when poor market sentiment dries up investor interest in a security. In addition, there may not be a ready market for certain investments due to low levels of publicly traded quantities. Some investments will have to be held to maturity. Proper information for determining the value of certain investments may also not be available under such circumstances of low liquidity. However the strategy of holding big stakes might be a limiting factor when selling, if the stock is illiquid or in the case of a change in fundamentals.

We mitigate this risk by investing in companies with a reasonable free float and where securities are heavily traded. Also by limiting the portfolio's buy list to highly traded stocks, the risk of illiquidity is mitigated. Good research enable the fund team to identify changes in fundamentals and be proactive in investment decision making.

In instances where we are presented with a promising investment opportunity, being short of funds to pursue that opportunity is also an extension of liquidity risk. To guard against this risk, we have arranged several overdraft facilities to draw into if and when opportunities arise.

Performance Volatility Risks

The composition of the portfolio will determine the portfolio's ability to outperform the market. If more volatile stocks that respond more than proportionately to market movements are selected, there is a likelihood that the

portfolio will outperform the benchmark All Share Price Index in a growing market, while in a downturn it can under-perform the market. It is once again an attempt at balancing good performance with a certain risk tolerance in a volatile environment.

Measuring portfolio volatility through calculation of a portfolio beta is one method of keeping ourselves aware of the sensitivities of the portfolio. In the case of the long term portfolio, we would not attempt to handle market volatility by encashing stocks, but would rather attempt to hold onto fundamentally strong stocks and ride out low performing cycles. For this, we ensure adequate cash generation by way of dividend and other income flows to keep our daily operations running smoothly while we ride out low market periods. On the other hand, in the case of the trading portfolio, it is necessary to keep an even closer tab on market volatility, since it needs to regularly encash its profitable positions to remain a high performing portfolio.

Investment Performance Risk

This is the risk that the portfolio will not meet the investment objectives by over-performing the benchmark indices. This can adversely affect the reputation of the Company and have impact in the future in terms of proven track record and confidence when raising money on future capital calls.

We mitigate this risk by setting a process which seeks to meet investment targets within stated risk parameters. Portfolio performance, valuations and risks are monitored by fund managers and managed on a regular basis. Regular meetings amongst the fund management team as well as regular review of the portfolio at board meetings are part of this process.

Compliance Risks

The legal support services to Guardian Fund Management comes through the management services company of the Carson Cumberbatch Group, which ensures that the Guardian Group companies comply with all legal and regulatory

provisions applicable to it. The legal function proactively identifies and advises GFM to set up appropriate systems and processes for legal and regulatory compliance in respect of all our investments and regulated activities. We also ensure legal and regulatory compliance in any foreign country that we operate in and in such instances through legal counsel retained in those jurisdictions.

Proactive monitoring of the compliance process is followed and we see that our investments are made and trades are executed in keeping with the Companies Act, SEC regulations, tax regulations, exchange control regulations and other applicable guidelines. The legal advisors of the Company also carry out periodic awareness programmes to educate all staff members on a regular basis.

The operations of Ceylon Investment come within the rules and regulations applicable to all market participants operating in the equity (listed and unlisted) and debt markets of Sri Lanka, as well as the regulatory provisions applicable to companies listed on the CSE and regulations applicable to securities trading set by the Securities and Exchange Commission of Sri Lanka.

Our systems and processes are structured to satisfy the criteria set by these regulations, and staff is constantly kept aware of the compliance needs imposed by these regulations. An independent compliance officer undertakes responsibility for maintaining a check on the overall compliance process and is supported by the internal audit function of the Carsons Group. GFM, as an Investment Manager registered with the SEC, is also subject to further regulation by the capital markets regulator.

Operational Risks

Professionalism in Operational Dealings

The fund management team at GFM has signed a Code of Ethics which lays down professional standards of conduct and dealing that is expected of staff. Structures to avoid conflicts of interest and compromising of best practices





are set up as part of our process. Staff education covers areas of such practice and declarations by the staff members on compliance in personal equity trading are mandatory.

Compliance with SEC trading rules on insider trading, front running, market manipulation etc are checked by comparing trading statistics between portfolios and pre approved personal transaction of employees, by the Compliance Officer.

The compliance with the Code of Ethics ensures that the conduct of fund managers and other staff members do not violate the code of ethics to which employees are signatories. Some of the pertinent areas covered include conflict of interest between portfolios, coordination of trades between portfolio managers within the Company, levels of authority when approving trades etc. Internal controls and audits are also done to ensure monitoring and compliance.

Systems and Process Risks

We manage operational risks by identifying risks and formulating plans for their management, promoting best practices, implementing internal controls and systems and monitoring compliance with these internal guidelines for managing operational risks. Operational risks mainly cover the areas of system failure to ensure continuity of decision making to deal with contingencies, ensuring efficiency in operations and correct application of recommended management practices, where back up procedures are followed on a routine basis. Our accounting systems, portfolio management systems are regularly backed up to prevent loss of data.

Systems support for the portfolio management software is made available through an annual maintenance agreement with the software vendor which ensures on line support for system issues and queries. At the same time the financial transaction processing and reporting system are based on an ERP system in use at Carsons Group level and as such back up support services for this system are available through the parent company's management services company.

Also in order to deal with unexpected contingencies, we have developed and implemented a business continuity plan, which looks after aspects such as staff deployment and systems backup in case of an unexpected disruption to the business.

This business continuity plan forms a part of the Carsons Group's business continuity plan, which is regularly tested and upgraded to meet changing needs.

The internal audit function of the Carsons Group, ensures the safeguarding of Company assets and recommends process improvements in areas where process control failures are noted. Compliance with the investment objectives of each portfolio involves checking whether fund managers have adhered to the investment guidelines for each portfolio operating within set limits and not falling to prohibited investments; as well as monitoring portfolio performance against the benchmarks set. Further compliance with the operating process manual involves checking the application of proper internal controls such as segregation of duties, authority limits, approvals and that cash management processes are in order.

Staff Risks

A fund management operational unit requires qualified professionals with experience in the fund management industry. Knowledge of the operating mechanism of the market as well as its norms and ethics is of importance. We attempt to pass on this valuable local knowledge to our staff at all levels. Having diversity in the team, developing a strong second level, training and development opportunities, are standard practices of the industry, which we benchmark ourselves with. A performance related incentive scheme for the staff is in place and is being reviewed. The networking ability of key staff to source deals is important in running a successful fund management operation by being shown both important buy side and sell side deals by brokers.

The staff of GFM are all professionally qualified with a track record of experience in the industry.

A strong research team has been developed to complement the fund management operation and raise the standard of the investment decision making process. Staff training and development is identified as an important area of concern, while retention is managed through a comprehensive reward structure and incentive scheme, opportunities for career progression and a culture of being HR oriented. Collectively these steps help us to work towards having an effective succession plan in place.

Reputation Risk

As a Company that carries out a role of trust between itself and a client, it is vital to safeguard the good name and reputation of the business. Further, now being in the public domain through unit trusts, safeguarding reputation risk is of utmost importance.

Employees are communicated the right values from the inception both by formal communication and by example. Our screening process at interviews, attempts to select people of the right caliber, while training them for higher responsibility is ongoing. The extensive compliance process also ensures that the Company does not take the risk of process failure that will lead to reputation risk. Maintaining good relationships with all industry and government stakeholders further helps manage any crisis situations that can damage reputation.

Guardian Fund Management Limited Investment Managers

Colombo
25th June 2014



Annual Report of the Board of Directors on the Affairs of the Company



The Board of Directors of Ceylon Investment PLC have pleasure in presenting to the shareholders their Report, together with the Audited Financial Statements for the year ended 31st March 2014.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 25th June 2014.

1. GENERAL

Ceylon Investment PLC (the "Company") is a public limited liability Company incorporated in Sri Lanka in 1919.

2. PRINCIPAL ACTIVITY OF THE COMPANY

The principal activities of the Company and its associate company are to act as specialized investment vehicles focusing on listed equity investments.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and the Managers' Commentary on pages 2 to 13 provide an overall assessment of the business performance of the Company and its future developments. These reports together with the audited financial statements reflect the state of affairs of the Company.

4. FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and notes to

the Financial Statements of the Company for the year ended 31st March 2014 are set out on pages 32 to 65 of this Report. These Financial Statements do comply with the requirements of the Companies Act No.07 of 2007.

4.1. Revenue

The Company generated a revenue of Rs. 496.8 mn (2013 – Rs.445.9 mn). A detailed analysis of the revenue for the period is given in note 11 to the financial statements.

4.2. Financial results and appropriations

An abridgement of the financial performance of the Company is presented in the table below:

| (In Rupees Thousands) For the year ended 31st March | 2014 | 2013 |
|---|------------------|-----------|
| Profit for the year | 1,152,357 | 1,181,968 |
| Retained earnings brought forward from previous year | 4,615,994 | 3,600,606 |
| Transfers | 28,910 | (43,436) |
| Profit available for appropriations from which the following appropriations/ distributions have been made : | 5,797,261 | 4,739,138 |
| Dividends paid | (418,688) | (123,144) |
| Retained earnings carried forward | 5,378,573 | 4,615,994 |

4.3. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 36 to 42.

As explained in note 10 to the financial statements, the management is in the process of assessing the impact, if any, on adoption of the new standards which have become effective from 1st April 2014.

4.4. Investment in Financial Instruments – Available for Sale Financial Assets

Investments in financial instruments of the Company represents investments in available for sale financial assets, categorized in to,

Fair value hierarchy Level 1 - quoted securities

Fair value hierarchy Level 2 and Level 3 – unquoted and private equity (unlisted equity investments).

Investments placed at fair value hierarchy Level 1 – quoted securities, as at the reporting date, carried a fair value of Rs. 2,519.4 mn (2013 – Rs. 2,018.7 mn) in Company as disclosed in notes 19.1 and 19.4. Investments placed at fair value hierarchy Level 2 and 3 – unquoted / private equity (unlisted) investments, as at the reporting date, carried a fair value of Rs. 0.9 mn (2013 – Rs. 191.5 Mn) as disclosed in note 19.2, 19.3 and 19.5.

4.5. Reserves

As at 31st March 2014, the total reserves of the Company stood at Rs. 7,751.8 mn (2013 – Rs.8,050.3 mn).

The movements are set out in the Statement of Changes in Equity and in note 24 to the financial statements.

4.6. Fair value through profit or loss financial assets reserve

Any gains arising from fair value adjustment will be transferred from retained earnings to "Fair value through profit or loss financial assets reserve" at reporting date and any realized losses arising will be transferred from "Fair value through profit or loss financial assets reserve" to retained earnings to the extent that the loss does not exceed the balance held in the said reserve as at the reporting date.

Accordingly, during the year an amount of Rs.28.9 mn was transferred to (2013-43.4 mn was transferred from) "Fair value through profit





or loss financial assets reserve” resulting from the movements in fair value as shown in the Statement of Changes in Equity.

4.7. Available for sales financial assets reserve

During the year, the movement from ‘Available for sale financial assets reserve’ amounted to Rs.215.3 mn (2013 – movement to available for sale financial assets reserve amounted to Rs.60.9 mn) arising out of realized gains and adjustment on fair valuation of investments in Available for sale financial assets.

5. STATEMENT OF DIRECTORS RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements are detailed in the following paragraphs, whilst the responsibilities of the Auditors are set out in the Independent Auditors’ Report.

According to the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the performance for the said period.

The Financial Statements comprise of inter alia :

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its associate company as at the end of the financial year;
- a Statement of comprehensive income of the Company and its associate company, which presents a true and fair view of the profit and loss of the Company and its associate company for the financial year.

In preparing these financial statements, the Directors are required to ensure that :

- > appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained ;
- > all applicable Accounting Standards have been complied with ;
- > reasonable and prudent judgments and estimates have been made ; and
- > provides the information required by and otherwise comply with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, in order to ensure that its Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and meet with the requirements of the Companies Act No. 07 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These Financial Statements have been prepared on a going concern basis, since the Directors are of the view that the Company has adequate resources to continue in operation, for the foreseeable future from the date of signing these financial statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

6. OUTSTANDING LITIGATION

There are no litigations currently pending against the Company.

7. INDEPENDENT AUDITORS’ REPORT

The Independent Auditors’ Report on the financial statements is given on page 31 of the Annual Report.

8. INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act, No. 07 of 2007. All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act, No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act.

8.1. Remuneration of Directors

Directors’ remuneration for the financial year ended 31st March 2014 is given in note 12 to the financial statements on page 43 of the Annual Report.

8.2. Directors’ Interest in contracts and shares

The Related Party Transactions of the Company as required by the Sri Lanka Accounting Standards LKAS 24 Related Party Disclosures are disclosed in note 28 to the Financial Statements and have been declared at Meetings of the Board of Directors. The Directors have had no direct



Annual Report of the Board of Directors on the Affairs of the Company



or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the ordinary shares of the Company, as shown in the table below :

| Directors | No. of shares as at | |
|--------------------------|---------------------|----------------|
| | 31st March 2014 | 1st April 2013 |
| Mr.I. Paulraj (Chairman) | 255 | 255 |
| Mr.D.C.R. Gunawardena | 255 | 255 |
| Mr.A.P. Weeratunge | - | - |
| Mrs.M.A.R.C. Cooray | - | - |
| Mr.A. de Z. Gunasekera | - | - |
| Mr.V.M. Fernando | - | - |
| Mr.K. Selvanathan | - | - |

9. DIRECTORS

The names of the Directors who served during the year are given under Corporate Information provided in the inner back cover of the Annual Report.

9.1. Directors to retire by rotation

In terms of Articles 89, 90 and 91 of the Articles of Association of the Company, Mrs.M.A.R.C. Cooray and Mr. A.P. Weeratunge retire by rotation and being eligible offer themselves for re-election.

9.2. Appointment of Directors who are over 70 years of age

Upon the recommendation of the Nomination Committee and the Board, it is recommended that Messrs. I. Paulraj and A. de Z. Gunasekera who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable.

10. AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants.

A sum of Rs. 307,000/- was paid to them by the Company as audit fees for the year ended 31st March 2014 (2013 -Rs.275,000/-). In addition to the above, the Auditors were paid Rs.65,000/- (2013 - Rs. 63,000/-) as professional fees for audit related services.

The retiring Auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and their relationship with the Company, including the level of audit and non-audit fees paid to the Auditors.

10.1. Auditors' Relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the independent Auditors to the Board, the Auditors do not have any interest with the Company that would impair their independence.

11. SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year.

12. RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY

There were no transactions entered into by the Company in their ordinary course of business, the value of which exceeded 10% of the shareholders' equity or 5% of the total assets of the Company during the year.

The details of the related party transactions are given in note 28 on pages 56 to 57 of the financial statements.

13. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance rules as per the Listing Rules of the Colombo Stock Exchange.

13.1. Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 25 and 26 of the Annual Report.

| Directors | Executive/ Non-Executive/ Independent |
|--------------------------|---|
| Mr.I. Paulraj (Chairman) | Non-Executive/ Independent* |
| Mr.D.C.R. Gunawardena | Non-Executive |
| Mr.A.P. Weeratunge | Executive |
| Mrs.M.A.R.C. Cooray | Non-Executive/ Independent** |
| Mr.A. de Z. Gunasekera | Non-Executive/ Independent*** |
| Mr.V.M. Fernando | Non-Executive/ Independent**** |
| Mr.K. Selvanathan | Executive |

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange(CSE). The said declarations were tabled at the Board Meeting held on 25th June 2014, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of rule 7.10.3 (a) of the Listing Rules of the CSE.





*The Board has determined that Mr.I. Paulraj is an Independent Director in spite of being on the Board for more than 9 years and being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

** The Board has determined that Mrs. M.A.R.C. Cooray is an Independent Director in spite of being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since she is not directly involved in the management of the Company.

***The Board has determined that Mr. A.de Z. Gunasekera is an Independent Director in spite of being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

****The Board has determined that Mr. V.M. Fernando is an Independent Director in spite of being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

13.2 Remuneration Committee

In terms of Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the ultimate Parent Company, functions as the Remuneration Committee of the Company and comprises of the following members :

| Remuneration Committee Members | Executive/Non-Executive/Independent |
|--------------------------------|---|
| Mr.I. Paulraj (Chairman) | Non-Executive/Independent Director of CCPLC |
| Mr.M. Moonesinghe* | Non-Executive/Independent Director of CCPLC |
| Mr.D.C.R. Gunawardena | Non-Executive Director of CCPLC |
| Mr.R. Theagarajah** | Non-Executive/Independent Director of CCPLC |

*Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed to the Remuneration Committee with effect from 1st April 2014

Scope and Objective :

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies.

Functions and Proceedings :

The Remuneration Committee recommends to the Board the remuneration to be paid to the Chief Executive Officer, Executive Directors and Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

The Chief Executive Officer, Director-in-charge and other members of the senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither Executive nor Non-Executive Directors are involved in

Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when it considers necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings and the attendance of the Members of the Remuneration Committee was as follows :

| Remuneration Committee Members | Meetings attended (out of two) |
|--------------------------------|--------------------------------|
| Mr.I. Paulraj (Chairman) | 02 |
| Mr.M. Moonesinghe* | - |
| Mr.D.C.R. Gunawardena | 02 |
| Mr.R. Theagarajah** | - |

*Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed to the Remuneration Committee with effect from 1st April 2014

Reporting and Responsibilities:

The Committee Chairman reports formally to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 12 on page 43 of the Annual Report. Executive Directors are not compensated for their role on the Board.



Annual Report of the Board of Directors on the Affairs of the Company



13.3. Audit Committee

In terms of Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate Parent Company, functions as the Audit Committee of the Company and comprises of the following members:

| Audit Committee Members | Executive/ Non-Executive/ Independent |
|---------------------------------|--|
| Mr.V.P. Malalasekera (Chairman) | Non-Executive/ Independent Director of CCPLC |
| Mr.D.C.R. Gunawardena | Non-Executive Director of CCPLC |
| Mr.F. Mohideen | Non-Executive Director of CCPLC |

The Audit Committee Report is given on pages 28 to 29 of this Annual Report.

13.4. Directors Meetings Attendance

During the financial year the Board of Directors had 04 Board Meetings and the attendance of the Directors was as follows :

| Directors | Meetings attended (out of 04) |
|--------------------------|-------------------------------|
| Mr.I. Paulraj (Chairman) | 04 |
| Mr.D.C.R. Gunawardena | 03 |
| Mr.A.P. Weeratunge | 04 |
| Mrs.M.A.R.C. Cooray | 03 |
| Mr.A. de Z. Gunasekera | 04 |
| Mr.V.M. Fernando | 03 |
| Mr.K. Selvanathan | 04 |

14. NOMINATION COMMITTEE

The Nomination Committee of Ceylon Guardian Investment Trust PLC (GUAR), the Parent Company's Nomination Committee functions as the Company's Nomination Committee.

The Nomination Committee of GUAR comprises of the following members :

| Nomination Committee Members | Executive/ Non-Executive/ Independent |
|------------------------------|---|
| Mr.I. Paulraj (Chairman) | Non-Executive/ Independent Director of GUAR |
| Mrs.M.A.R.C. Cooray | Non-Executive/ Independent Director of GUAR |
| Mr.D.C.R. Gunawardena | Non-Executive Director of GUAR |

Scope and Objective :

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within the group companies and the nominations of members to represent the Company in group companies/ investee companies.

Functions and Proceedings :

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review the Committee had two meetings and the attendance of the Members of the Nomination Committee was as follows :

| Nomination Committee Members | Meetings attended (out of two) |
|------------------------------|--------------------------------|
| Mr.I. Paulraj (Chairman) | 02 |
| Mrs.M.A.R.C. Cooray | 01 |
| Mr.D.C.R. Gunawardena | 02 |

15. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

Effective maintenance of internal controls, risk identification and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved will be monitoring and providing the feedback to the management and the respective Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the health of the Company's resource base and governance requirements.





This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Company is given on pages 14 to 17.

16. HUMAN RESOURCES

The management of the Company's investments is undertaken by Guardian Fund Management Limited (GFM) and management support services are provided by Carsons Management Services (Private) Limited.

GFM continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around new business priorities of the Company and to ensure that its employees are developing the skills and knowledge required for the future success of the Company, centered around the core competencies required by an investment house.

17. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all shareholders.

18. DIVIDENDS

The Company paid a 1st interim dividend of Rs.2/50 per share resulting in a total outflow of Rs. 246,287,185/- during the year.

The Directors do not recommend a final dividend for the financial year ended 31st March 2014.

The details of the dividends paid during the year are set out in note 17 to the financial statements.

19. SOLVENCY TEST

The Directors were satisfied with the Solvency Test requirement under Section 56(2) of the Companies Act, No.07 of 2007 immediately after the distribution of the 1st interim dividend declared in March 2014. The Company's Auditors, Messrs. KPMG, Chartered Accountants issued the Certificate of Solvency confirming same.

20. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2014 was Rs. 673,529,144/- comprising of 98,514,874 ordinary shares. The movement in Stated Capital of the Company is given in note 23 to the financial statements. There was no change in the Stated Capital of the Company during the year.

21. INVESTMENTS

Investments represent, investments in associates, investments in available for sale financial assets and investments in fair value through profit or loss financial assets.

- Details on investment in associate company is given in note 18 in page 46.
- Details on available for sale financial assets at fair value are disclosed in note 19 in pages 47 to 50, comprising those investments which are held for a longer tenure, usually over 3-5 years. The fair value of the said investment portfolio stood at Rs. 2,520.3 mn (2013 - 2,210.3 mn) at the end of the financial year.
- The fair value through profit or loss portfolio engaged in active trading to realize the benefits of the movements in the stock market and is carried in the Statement of financial position at fair value as given in note 21 in pages 51 to 53. The carrying value of the fair value through profit or loss financial assets of the Company as at 31st March 2014 was Rs.644.8 mn (2013 - Rs.503.6 mn).

22. CAPITAL EXPENDITURE

The Company has not incurred any capital nature expenditure during the year under review (2013 - Nil).

23. STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief were satisfied that all statutory dues have been paid up to date or have been provided for in the financial statements.

24. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 26 to the financial statements if any.

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities and commitments made on account of capital expenditure as at 31st March 2014 are given in note 27 to the financial statements if any.

27. CORPORATE DONATIONS

There were no donations granted during the year.

28. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 66 to 67 and pages 74 to 75 of the Annual Report.



Annual Report of the Board of Directors on the Affairs of the Company



29. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Ceylon Guardian Investment Trust PLC holds 64.36% of the total ordinary shares in issue of the Company.

Twenty major shareholders with comparatives :

| Name of Shareholder | As at 31st March | | | |
|---|------------------|-------|---------------|-------|
| | 2014 | | 2013 | |
| | No. of shares | % | No. of shares | % |
| Ceylon Guardian Investment Trust PLC-A/c No.3 | 63,407,518 | 64.36 | 63,407,518 | 64.36 |
| Thurston Investments Limited | 1,924,006 | 1.95 | 1,924,006 | 1.95 |
| Employees Trust Fund Board | 1,757,925 | 1.78 | 1,757,925 | 1.78 |
| Mrs.M.L. de Silva | 1,305,380 | 1.33 | 1,305,380 | 1.33 |
| Miss.G.I.A. de Silva | 1,277,422 | 1.30 | 1,277,422 | 1.30 |
| Mr.K.C. Vignarajah | 1,244,769 | 1.26 | 1,244,769 | 1.26 |
| Waldock Mackenzie Ltd/Mr.H.M.S. Abdulhussein | 997,944 | 1.01 | 1,191,756 | 1.21 |
| Mr.G.J.W. de Silva | 854,000 | 0.87 | 854,000 | 0.87 |
| Oakley Investments Limited | 795,600 | 0.81 | 795,600 | 0.81 |
| J.B. Cocoshell (Pvt) Ltd. | 790,808 | 0.80 | 773,142 | 0.78 |
| DFCC Bank A/c 1 | 765,000 | 0.78 | 735,000 | 0.75 |
| Mr. Y.H. Abdulhussein | 752,110 | 0.76 | 658,410 | 0.67 |
| Miss. R.E.W. Jayasuriya | 748,912 | 0.76 | 675,733 | 0.69 |
| Mrs.S.E. Lokhandwalla | 569,176 | 0.58 | - | - |
| Commercial Bank of Ceylon Ltd./Mr.K.C. Vignarajah | 496,122 | 0.50 | 496,122 | 0.50 |
| Cocoshell Activated Carbon Company Limited | 466,315 | 0.47 | 456,915 | 0.46 |
| Waldock Mackenzie Ltd./Mr. M.A.N. Yoosufali | 443,760 | 0.45 | 441,920 | 0.45 |
| Bank of Ceylon No.1 Account | 442,000 | 0.45 | 442,000 | 0.45 |
| Aitken Spence PLC – A/c No.2 | 440,339 | 0.45 | 440,339 | 0.45 |
| Mercantile Bank (Agency) Private Limited | 409,045 | 0.42 | 409,045 | 0.42 |

30. ANNUAL REPORT

The Board of Directors on 25th June 2014 approved the Financial Statements of the Company, together with the Reviews which form part of the Annual Report. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within the applicable time frames.

31. ANNUAL GENERAL MEETING

The 68th Annual General Meeting of the Company will be held on Wednesday, the 30th day of July 2014 at 9.30 a.m. at Hilton Colombo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, Sri Lanka.

The Notice of the Annual General Meeting setting out the business which will be transacted thereat is on page 76 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)
I. Paulraj
Chairman

(Sgd.)
D.C.R. Gunawardena
Director

(Sgd.)
K.D. De Silva (Mrs.)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
25th June 2014



Profiles of the Directors



ISRAEL PAULRAJ

Israel Paulraj is the Chairman of Ceylon Guardian Investment Trust PLC, Guardian Capital Partners PLC and Rubber Investment Trust Limited. He serves as a Director of Carson Cumberbatch PLC and of several of the subsidiary companies within the Carsons Group.

He served as Past Chairman of the Federation of Exporters Associations of Sri Lanka and The Coconut Products Traders Association. He was a member of the Executive Committee of the Ceylon Chamber of Commerce, National Chamber of Commerce of Sri Lanka and Shippers Council. He served on the Board of Arbitrators of the Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, Hony. Treasurer of The Christian Conference in Asia, President of the Church of Ceylon Youth Movement and Hony. Treasurer of the National Christian Council of Sri Lanka. He has also served as Chairman of the Incorporated Trustees of the Church of Ceylon.

He also served on the Presidential Task Force on Non-Traditional Export and Import Competitive Agriculture set up by President R.Premadasa. He served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade.

He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration.

CHANDIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr.Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Head of Finance. He is also a Director of Equity One PLC and Equity Two PLC, as well as the Group's Investment Holding Sector - Rubber Investment Trust Limited and Guardian Fund Management Limited. Accounts for more than 30 years of finance related experience in the mercantile sector and has held positions in Lanka Walltile Ltd., Union Apparels (Pvt) Ltd., John Keells Holdings PLC, Phoenix Industries (Pvt) Ltd and Ceylon Beverage Holdings PLC.

He is a Fellow member of the Chartered Institute of Management Accountants of UK.

ROSE COORAY

Rose Cooray is a Director of Ceylon Guardian Investment Trust PLC and Hatton National Bank PLC. She functions as the chairperson of the Board Integrated Risk Committee and as a member of the Board Audit Committee of the Hatton National Bank PLC. She is a retired Deputy Governor of the Central Bank of Sri Lanka where she served for over 35 years.

On release from the Central Bank, she had served the Ministry of Finance in the capacity of Director General Fiscal Policy and Economic Affairs Department for nearly 6 years, represented the Government on the Boards of DFCC Bank, Sri Lanka Institute of Information Technology, Sri Lanka Telecom, Ceylon Electricity Board, De La Rue Currency and Security Print (Pvt) Ltd, Export Development Board, National Housing and Development Authority and represented the Monetary Board on West Coast Power (Pvt) Ltd.

She has functioned as the Vice Chairperson of the Institute of Bankers of Sri Lanka for 5 years and has served on a number of Committees at national level covering a variety of subjects representing the Ministry of Finance and the Central Bank. She has also represented the Central Bank and the Ministry of Finance at various international meetings/seminars.

Mrs.Cooray has been involved extensively in policy making and implementing projects and programmes, especially in the area of regional development and microfinance. She has wide experience in negotiating loans with multilateral and other donors as well as bilateral trade agreements on behalf of the Government. Her articles/papers have been published in professional journals.



Profiles of the Directors



ASOKA DE. Z. GUNASEKERA

Asoka Gunasekera is a Director of Ceylon Guardian Investment Trust PLC. Also serves as Alternate Director to Mr.I.W Senanayake (Chairman) of IWS Holdings (Pvt) Ltd. and in most Group companies. Past Chairman of the National Chamber of Commerce of Sri Lanka and Past President of the Ceylon National Chamber of Industries. He is a Past International Director and a Board Appointee of Lions Clubs International and was also a Member of the National Police Commission of Sri Lanka. He served as Legal Advisor and Secretary to the Ministry of Posts and Telecommunications; Co-ordinating Secretary to the Ministry of Power and Energy and Ministry of Highways and was the Acting Secretary to the Ministry of Policy Planning.

He is an Attorney-at-Law & Notary Public.

MANILAL FERNANDO

Manilal Fernando is a Director of Ceylon Guardian Investment Trust PLC and is currently the Chairman of Shipping Cargo Logistics (Pvt) Ltd., Hyundai Lanka (Pvt) Ltd. and Dynamic AV Technologies (Pvt) Ltd. Director of Pirarus (Pvt) Ltd., Aitken Spence & Co. PLC, Sri Lankan Airlines Limited, Stallion Plantations (Pvt) Ltd. and Eco Corp Asia Private Limited. He is also a Trustee of Joseph Fraser Memorial Hospital.

He has been the Past President of the Football Federation of Sri Lanka from 1979 to 1999, as well as the Vice President of the National Olympic Committee of Sri Lanka from 1990 to date.

He is an Attorney-at-Law & Notary Public.

KRISHNA SELVANATHAN

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC and the Investment Sector Companies of the Carsons Group. He is also a Director of Carlsberg India (Pvt) Ltd.

He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.



Management Team Profile



RUVINI FERNANDO

Ruvini Fernando is the Director and CEO of Guardian Fund Management Limited, the investment management company of the Carsons Group and a Director of Guardian Acuity Asset Management Limited, a joint venture company of the Guardian Group, responsible for operating and managing licensed unit trusts. Director of the Sri Lanka Fund - a foreign incorporated country fund managed by Guardian Fund Management Limited.

Counts over 24 years work experience in the fields of Management Accounting, Finance, Research Analysis, Strategic Planning and Investments, within the Hayleys Group and Carson Cumberbatch Group. Member of the Finance, Banking and Capital Markets Committee of the Ceylon Chamber of Commerce.

Was a former visiting faculty member of the Postgraduate Institute of Management in the MBA programme. Member of the Regaining Sri Lanka Tourism Steering Committee, a key policy making forum of the government from January 2002 to January 2004. Fellow of the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. Has a Masters Degree in Business Administration from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka.

NILOO JAYATILAKE

Niloo Jayatilake is a Director of Guardian Fund Management Limited and heads the portfolio management division of the management company. Alternate Director of Guardian Acuity Asset Management Limited and represents the company on the Unit Trust Association of Sri Lanka. Counts 20 years of experience in the investments and portfolio management field. Prior to joining the Carsons Group worked as Fund Manager at The Unit Trust Management Company Limited, managers of Ceybank Unit Trust Funds in Sri Lanka. Fellow Member of the

Chartered Institute of Management Accountants, UK and Associate Member of the Institute of Chartered Secretaries and Administrators, UK.

THARINDA JAYAWARDANA

Head of Research of Guardian Fund Management Ltd. He has over 6 years experience in investment research. Prior to joining the Carson Cumberbatch Group he worked as a financial analyst at JB Securities Ltd. He is a CFA Charter Holder and an Associate Member of the Chartered Institute of Management Accountants (UK). He also has a first class B.Sc (Hons) in Finance from the University of Sri Jayewardenepura.

SUMITH PERERA

Fund Manager, Guardian Fund Management Ltd. Has over 7 years of experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers (Sri Lanka). He holds a Bsc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.

VIBATH WIJESINGHE

Financial Controller of Carsons Management Services (Private) Limited the management support service provider to the Carson Cumberbatch Group. He began his career at M/s. KPMG, Sri Lanka and has over ten years of experience in the fields of finance, corporate finance and auditing. He joined Carson Cumberbatch Group in 2004. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants (UK) and of the Society of Certified Management Accountants of Sri Lanka. He also holds a Masters degree in Business Administration from Postgraduate Institute of Management – University of Sri Jayewardenepura.

SISIRA WICKRAMASINGHE

Sector Accountant for the Investment, Real Estate and Leisure sectors. Commenced career at KPMG, Chartered Accountants, prior to joining Carsons Group. Counts over seven years of experience in auditing, accounting and financial reporting. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. He also holds a B.Sc. Accounting (Special) degree from the University of Sri Jayewardenepura, Sri Lanka.

ASANKA JAYASEKERA

Manager Research, Guardian Fund Management Ltd. He has over 6 years of experience in investment research. Prior to joining the Carson Cumberbatch Group, he worked as a financial analyst at JB Securities Ltd. He is an associate member of the Chartered Institute of Management Accountants (UK) and holds a B.Sc degree from the University of Sri Jayewardenepura specializing in Finance.

LAKMAL WICKRAMAARACHCHI

Accountant, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over six years of experience in auditing and accounting. Associate Member of the Institute of Chartered Accountants of Sri Lanka. Holds a B.Sc. Finance (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka.



Audit Committee Report



As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of Carson Cumberbatch PLC (CCPLC)-the ultimate Parent Company is the Audit Committee of the Company.

The Members of the Audit Committee are as follows :

| Audit Committee Members | Executive/ Non-Executive/ Independent |
|------------------------------------|---------------------------------------|
| Mr. Vijaya Malalasekera (Chairman) | Non-Executive, Independent (CCPLC) |
| Mr. Chandima Gunawardena | Non-Executive (CCPLC) |
| Mr. Faiz Mohideen | Non-Executive, Independent (CCPLC) |

Mr. Vijaya Malalasekera is a Non-Executive, Independent Director of CCPLC and a former Director of Ceylon Tobacco Company PLC.

Mr. Chandima Gunawardena is a Non-Executive Director of CCPLC and in most of its Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

Mr. Faiz Mohideen, a Non-Executive, Independent Director of CCPLC, was the former Deputy Secretary to the Treasury and a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

The purpose of the Audit Committee of CCPLC is as follows :

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The audit aspects of Ceylon Investment PLC are conducted within the Agenda of CCPLC-Audit Committee.

CCPLC-Audit Committee held 05 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

| Meetings attended (out of five) | |
|------------------------------------|----|
| Mr. Vijaya Malalasekera (Chairman) | 05 |
| Mr. Chandima Gunawardena | 05 |
| Mr. Faiz Mohideen | 05 |

The Chief Executive Officer-Investment Sector, Financial Controller-Carsons Management Services (Private) Limited-Managers, internal auditors and senior management staff members also attended the Audit Committee Meetings by invitation.

The Committee met the External Auditors, Messrs. KPMG twice during the year, i.e. to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also met the External Auditors and discussed the draft Financial Report and Accounts, without the management being present.

The Audit Committee approved the audit plan for the financial year 2013/2014 and the Group Internal Audit (GIA) carried out 06 detailed audits on the Investment Sector companies.

The findings and contents of the Group Internal Audit reports have been discussed with the management and subsequently the audit reports were circulated to the Audit Committee and to the management.

The objectives of the GIA work was to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and to determine the extent of adherence to the controls by staff responsible for the function and to take corrective/preventive action where necessary.

The interim financial statements of Ceylon Investment PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings.

The draft financial statements of Ceylon Investment PLC for the year ended 31st March 2014 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for the financial period beginning on or after 1st January 2014/2015.





However, these standards have not been applied when preparing the current year financial statements.

- Sri Lanka Accounting Standards- SLFRS 10 "Consolidated financial statements"
- Sri Lanka Accounting Standards- SLFRS 11 "Joint Arrangements "
- Sri Lanka Accounting Standards- SLFRS 12 "Disclosure of Interest in Other Entities"
- Sri Lanka Accounting Standards- SLFRS 13 "Fair Value Measurement"

As explained in note 10 to the financial statements, the management is in the process of assessing the impact, if any, on adoption of the new standards which have become effective from 1st April 2014.

The Audit Committee has determined that Messrs.KPMG, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2015, subject to the approval of the shareholders of Ceylon Investment PLC at the Annual General Meeting.

(Sgd.)

V.P. Malalasekera

Chairman – Audit Committee

Carson Cumberbatch PLC

Colombo

25th June 2014



Financial Information



FINANCIAL CALENDAR

| | |
|---|-----------------|
| Financial year end | 31st March 2014 |
| 68th Annual General Meeting to be held on | 30th July 2014 |

ANNOUNCEMENT OF RESULTS

Interim Financial Statements published in terms of the Listing Rules of the Colombo Stock Exchange

| | |
|---------------------------------------|--------------------|
| 1st Quarter ended 30th June 2013 | 13th August 2013 |
| 2nd Quarter ended 30th September 2013 | 14th November 2013 |
| 3rd Quarter ended 31st December 2013 | 13th February 2014 |
| 4th Quarter ended 31st March 2014 | 30th May 2014 |

| | |
|---|----|
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Independent Auditors' Report



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(Chartered Accountants)
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P. O. Box 186,
Colombo 00300,
Sri Lanka.

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Fax : +94 - 11 244 5872
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Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF CEYLON INVESTMENT PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Investment PLC (the "Company"), which comprise the statement of financial position as at March 31, 2014, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 32 to 65 of the Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo

25th June 2014

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA



Statement of Comprehensive Income



In Rupees Thousands

| For the year ended 31st March | Note | 2014 | 2013 (Restated) |
|--|------|-------------|--------------------|
| Revenue | 11 | 496,779 | 445,977 |
| Net change in fair value of fair value through profit or loss financial assets | | 303 | 52,667 |
| Profit on investment activities | | 497,082 | 498,644 |
| Administrative and other operating expenses | | (39,531) | (26,602) |
| Profit from operations | 12 | 457,551 | 472,042 |
| Net finance expense | 13 | (1,636) | (10) |
| Profit from operations after net finance expenses | | 455,915 | 472,032 |
| Share of profit of equity accounted investees net of tax | 14 | 726,501 | 728,539 |
| Profit before taxation | | 1,182,416 | 1,200,571 |
| Income tax expenses | 15 | (30,059) | (18,603) |
| Profit for the year | | 1,152,357 | 1,181,968 |
| Other comprehensive income | | | |
| Share of other comprehensive expenses of equity accounted investees net of tax | | (816,768) | (162,790) |
| Net change in fair value of available for sale financial assets | | 32,955 | 273,247 |
| Transfer of realized gains on available for sale financial assets | | (253,761) | (209,511) |
| Foreign currency differences arising on translation of available for sale financial assets | | 5,488 | (2,790) |
| Total other comprehensive expense for the year | | (1,032,086) | (101,844) |
| Total comprehensive income for the year | | 120,271 | 1,080,124 |
| Earnings per share (Rs.) | 16 | 11.70 | 12.00 |
| Dividend per share (Rs.)* | 17 | 2.50 | 1.75 |

The notes from pages 36 to 65 form an integral part of these financial statements.

*Dividends per share is calculated based on the proposed dividend / interim dividend.

Figures in brackets indicate deductions.



Statement of Financial Position



In Rupees Thousands

| As at 31st March | Note | 2014 | 2013 (Restated) |
|--|------|------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment in equity accounted investees | 18 | 4,738,898 | 5,024,093 |
| Available for sale financial assets | 19 | 2,520,325 | 2,210,275 |
| Total non-current assets | | 7,259,223 | 7,234,368 |
| Current Assets | | | |
| Trade and other receivables | 20 | 7,027 | 48,969 |
| Fair value through profit or loss financial assets | 21 | 644,802 | 503,630 |
| Cash and cash equivalents | 22 | 809,194 | 962,421 |
| Total current assets | | 1,461,023 | 1,515,020 |
| Total assets | | 8,720,246 | 8,749,388 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 23 | 673,530 | 673,530 |
| Capital reserves | 24.1 | 1,709,133 | 2,525,901 |
| Revenue reserves | 24.2 | 6,042,709 | 5,524,358 |
| Total equity | | 8,425,372 | 8,723,789 |
| Current Liabilities | | | |
| Trade and other payables | 25 | 276,382 | 18,437 |
| Current tax liabilities | | 15,795 | 6,716 |
| Bank overdraft | | 2,697 | 446 |
| Total current liabilities | | 294,874 | 25,599 |
| Total liabilities | | 294,874 | 25,599 |
| Total equity and liabilities | | 8,720,246 | 8,749,388 |
| Net assets per share - Book value (Rs.) | | 85.52 | 88.55 |
| Net assets per share - Market value (Rs.) | | 117.55 | 130.74 |

The notes from pages 36 to 65 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirement of the Companies Act, No. 07 of 2007.

(Sgd.)

V.R. Wijesinghe

Financial Controller

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed on behalf of the Investment Managers,

Approved and signed on behalf of the Board,

(Sgd.)

W. Y. R. Fernando

Director

Guardian Fund Management Limited.

Colombo

25th June 2014

(Sgd.)

I. Paulraj

Chairman

(Sgd.)

D.C.R. Gunawardena

Director



Statement of Changes in Equity



In Rupees Thousands

| | Capital reserves | | | | Revenue reserves | | | Total equity | |
|--|------------------|--------------------|-----------------------|-------------------------------------|--|--|-----------------|--------------|-------------------|
| | Stated capital | Investment reserve | Other capital reserve | Associate company's capital reserve | Fair value through profit or loss financial assets reserve | Available for Sale financial asset reserve | General reserve | | Retained earnings |
| Balance as at 1st April 2012 | 673,530 | 8,401 | 178,740 | 2,501,550 | - | 776,765 | 27,217 | 3,600,606 | 7,766,809 |
| Profit for the year * | - | - | - | - | - | - | - | 1,181,968 | 1,181,968 |
| Other comprehensive income/ (expense) for the year | - | - | - | (162,790) | - | 60,946 | - | - | (101,844) |
| Total comprehensive income/ (expense) for the year | - | - | - | (162,790) | - | 60,946 | - | 1,181,968 | 1,080,124 |
| Dividend paid for 2011/12 | - | - | - | - | - | - | - | (123,144) | (123,144) |
| Transfers | - | - | - | - | 43,436 | - | - | (43,436) | - |
| Balance as at 31st March 2013 | 673,530 | 8,401 | 178,740 | 2,338,760 | 43,436 | 837,711 | 27,217 | 4,615,994 | 8,723,789 |
| Balance as at 1st April 2013 | 673,530 | 8,401 | 178,740 | 2,338,760 | 43,436 | 837,711 | 27,217 | 4,615,994 | 8,723,789 |
| Profit for the year * | - | - | - | - | - | - | - | 1,152,357 | 1,152,357 |
| Other comprehensive expense for the year | - | - | - | (816,768) | - | (215,318) | - | - | (1,032,086) |
| Total comprehensive income/ (expense) for the year | - | - | - | (816,768) | - | (215,318) | - | 1,152,357 | 120,271 |
| Dividend paid for 2012/13 | - | - | - | - | - | - | - | (418,688) | (418,688) |
| Transfers | - | - | - | - | (28,910) | - | - | 28,910 | - |
| Balance as at 31st March 2014 | 673,530 | 8,401 | 178,740 | 1,521,992 | 14,526 | 622,393 | 27,217 | 5,378,573 | 8,425,372 |

* Profit for the year includes share of profit of the associate company which cannot be distributed.

The notes from pages 36 to 65 form an integral part of these financial statements.

Restatement of comparative figures

Information on restatement of comparative figures is given in note 31 to the financial statements.

Figures in brackets indicate deductions.



Statement of Cash Flow



In Rupees Thousands

| For the year ended 31st March | Note | 2014 | 2013 (Restated) |
|--|------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 1,182,416 | 1,200,571 |
| Adjustments for: | | | |
| Net change in fair value of fair value through profit or loss financial assets | | (303) | (52,667) |
| Net finance expense | | 1,636 | 10 |
| Share of profit of equity accounted investees net of tax | | (726,501) | (728,539) |
| Dividend received from equity accounted investees | 18.b | 194,928 | 43,433 |
| Operating profit before working capital changes | | 652,176 | 462,808 |
| (Increase)/decrease in trade and other receivables | | 41,942 | (36,380) |
| Net (increase)/decrease in investments | | (666,237) | 73,645 |
| Increase/(decrease) in trade and other payables | | 9,136 | (63) |
| Cash generated from operations | | 37,017 | 500,010 |
| Income tax paid | | (20,980) | (7,124) |
| Net cash generated from operating activities | | 16,037 | 492,886 |
| Cash flows from financing activities | | | |
| Finance cost paid | | (1,636) | (10) |
| Dividend paid | | (169,879) | (122,295) |
| Net cash used in financing activities | | (171,515) | (122,305) |
| Net increase/(decrease) in cash and cash equivalents | | (155,478) | 370,581 |
| Cash and cash equivalents at the beginning of the year | | 961,975 | 591,394 |
| Cash and cash equivalents at the end of the year | 22 | 806,497 | 961,975 |

The notes from pages 36 to 65 form an integral part of these financial statements.

Figures in brackets indicate deductions.



Notes to the Financial Statements



1. Reporting Entity

Ceylon Investment PLC is a limited liability company which is incorporated in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

The registered office and principal place of business of the company is located at No 61 Janadhipathi Mawatha, Colombo 1.

The financial statements of the Company as at and for the year ended 31 March 2014 comprise the financial information of Company and the company's interest in associate company.

The principal activities of the Company is to act as specialised investment vehicles to undertake listed equity and fixed income investments and to engage in fund management activities.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

The Company had no employees as at the reporting date (2013 - Nil).

2. Basis of Preparation

Statement of compliance

The financial statements of the Company comprise the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows together with the notes to the financial statements.

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS / SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act, No. 7 of 2007.

The financial statements were authorised for issue by the Board of Directors on 25th June 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

- Non-derivative financial instruments classified fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;

These financial statements have been prepared on the basis that the Company would continue as a going concern for the foreseeable future.

(c) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Assumptions and estimation uncertainties:

i. Assessment of Impairment - Key assumptions used in discounted cash flow projections.

The Company assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

ii. Current taxation

Current tax liabilities arise to the Company in various jurisdictions. These liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the Company on transactions is contested by revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on the entity.





Materiality and aggregation

Each material class of similar items is presented in aggregate in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

3. Significant Accounting Policies

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company unless otherwise indicated.

(i) Investments in associates (equity-accounted investees)

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity.

Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition

of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entity at exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate as at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss (FVTPL) or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the



Notes to the Financial Statements



Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as FVTPL comprise short-term sovereign debt securities actively managed by the Company's treasury department to address short-term liquidity needs.

Financial assets designated as fair values through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company

in the management of its short-term commitments.

Investment in reverse repurchase agreement

The company purchases a financial asset and simultaneously enter into an agreement to re sell the same or a substantially similar asset at a fixed price on a future date. The arrangement is accounted for as a loan and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

(iii) Stated capital

Ordinary shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as an expense.

(c) Impairment

(i) Non derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.





Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount.

An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.



Notes to the Financial Statements



(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(e) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

The following specific criteria are used for the purpose of recognition of revenue;

(i) Dividend Income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(ii) Gain on disposal of financial assets (categorized as available for sale / fair value through profit or loss)

Profits or losses on disposal of investments are accounted for in the Statement of Income on the basis of realized net profit.

(iii) Interest income

Interest income comprises the amounts earned on funds invested (including available-for-sale financial assets), and is recognised as it accrues in profit or loss, using the effective interest method.

(iv) Other income

On accrual basis.

(f) Expenditure Recognition

(i) Operating Expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

(ii) Finance income and finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, dividends on preference shares classified as liabilities, contingent consideration, losses on hedging instruments that

are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(g) Fee and commission expenses

Fee and commission expenses are recognized in profit or loss when the related services are performed.

(h) Income tax expense

Income Tax expense comprises current tax and deferred tax. Current tax is recognised in profit or other comprehensive income.

(i) Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions





and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iii) Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto, is payable on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settled against the income tax payable in the four subsequent years.

4. Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

5. Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies decisions of the other, irrespective of whether a price is charged.

6. Events after the Reporting Period

All material and important events which occur after the reporting date have been considered and disclosed in Note 26.

7. Dividends on ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted

from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

8. Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding Notes.

(i) Off setting Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

(ii) Off setting Assets and Liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously

9. Determination of Fair Values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

- Level 1- Input that are quoted market prices (unadjusted) in active markets for identifiable assets and liabilities
- Level 2- Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)
- Level 3 – Inputs from the asset or liability that are not based on observable market data (unobservable inputs) This category includes all financial instruments for which the valuation techniques include inputs not based on observable data and unobservable inputs have significant effect on the instrument's valuation.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Equity and debt securities

The fair values of investments in equity and debt securities are determined with reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.



Notes to the Financial Statements



Subsequent to initial recognition, the fair values of held-to-maturity investments are determined for disclosure purposes only.

(b) Trade and other receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(c) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date.

Directors' responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

10. New Accounting Standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for financial periods beginning on or after 1st January 2014.

Accordingly, these Standards have not been applied in preparing these financial statements.

- Sri Lanka Accounting Standards –SLFRS 10 “Consolidated financial statements”
The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following;

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect the amount of the investor's returns

Adoption of this standards is not expected to have any direct impact on the Company. however, there may be an indirect impact via parent companies group structure.

The Company is in the process of assessing the indirect impact.

SLFRS 10 has become effective from 1 April 2014

- Sri Lanka Accounting Standards –SLFRS 11 “Joint Arrangements”
The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

SLFRS 11 has become effective from 1 April 2014. However, this standard will not be applicable to the Company, unless there is a change to the structure.

- Sri Lanka Accounting Standard-SLFRS 12 “Disclosure of Interests in Other Entities”
The objective of this SLFRS is to require an entity to disclose information that enables users of its Financial Statements to evaluate the nature of, and risks associated with its interests in other entities of those interests in other entities; and the effect of those interests on its financial position, financial performance and cash flows.

SLFRS 12 has become effective from 1 April 2014.

- Sri Lanka Accounting Standard - SLFRS 13, “Fair Value Measurement”
This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS has become effective for the Group from 1 April 2014.

- Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments”
The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.





11. Revenue

| For the year ended 31st March | 2014 | 2013 |
|--|-----------|----------|
| Net gain from disposal of fair value through profit or loss financial assets | 19,603 | 10,661 |
| Net gain from disposal of available for sale financial assets (note 11.1) | 304,297 | 271,978 |
| Dividend income | 252,761 | 134,591 |
| Interest income | 115,046 | 72,180 |
| | 691,707 | 489,410 |
| Dividend received from equity accounted investees | (194,928) | (43,433) |
| | 496,779 | 445,977 |

11.1. Net gain from disposal of available for sale financial assets

| | | |
|---|-----------|-----------|
| Proceeds from disposal of available for sale financial assets | 661,555 | 615,431 |
| Carrying value of available for sale financial assets disposed | (611,019) | (552,964) |
| Transfer of realized gains on available for sale financial assets | 253,761 | 209,511 |
| | 304,297 | 271,978 |

12. Profit from operations

Profit from operations is stated after charging all expenses including the following expenses:

| | | |
|-------------------------------------|-------|-------|
| Directors' fees | 2,100 | 2,100 |
| Support service fees | 9,341 | 5,387 |
| Auditors' remuneration and expenses | | |
| - Audit fees | 307 | 275 |
| - Audit related fees | 65 | 63 |
| - Non-audit fees | - | 187 |

13. Net finance expense

| | | |
|----------------------------------|--------------|-----------|
| Interest on debts and borrowings | 1,629 | - |
| Exchange losses | 7 | 10 |
| Net finance expense | 1,636 | 10 |



Notes to the Financial Statements



In Rupees Thousands

14. Share of profit of equity accounted investees net of tax

| For the year ended 31st March | Revenue | | Net profit for the year | | Company share of profit net of tax | |
|---------------------------------|---------|---------|-------------------------|-----------|------------------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Rubber Investment Trust Limited | 925,618 | 663,376 | 1,471,848 | 1,477,853 | 726,501 | 728,539 |
| | 925,618 | 663,376 | 1,471,848 | 1,477,853 | 726,501 | 728,539 |

15. Income tax expense

| For the year ended 31st March | 2014 | 2013 |
|------------------------------------|--------|--------|
| Provision for the year (note 15.1) | 30,098 | 18,606 |
| Over provision for previous years | (39) | (3) |
| | 30,059 | 18,603 |

15.1. Reconciliation of accounting profit and taxable profits

| For the year ended 31st March | 2014 | 2013 |
|--|----------------|---------------|
| Profit before taxation | 1,182,416 | 1,200,571 |
| Less: share of profit of equity accounted investees | (726,501) | (728,539) |
| Dividend income (excluding dividend received from associate company) | (57,833) | (91,158) |
| Exempt net profit on sale of quoted public shares | (323,900) | (282,639) |
| Net change in fair value of fair value through profit or loss financial assets (note 21 B) | (303) | (52,667) |
| Disallowable expenses | 2,945 | 650 |
| Expenses attributable to exempt profits | 30,671 | 20,233 |
| Adjusted profit for tax purposes | 107,495 | 66,451 |
| Less: Utilization of brought forward tax losses (Note 15.2 (iii)) | - | - |
| Taxable income | 107,495 | 66,451 |
| Income tax charged thereon | | |
| Income tax expense for the year (Note 15.2 (i)) | 30,098 | 18,606 |





15.2. Current taxation on profits

- i) In accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto, the Company is liable to income tax at 28% (2013 - 28%).
- ii) In terms of Section 13 (t) of Inland Revenue Act, No. 10 of 2006 and amendments thereto, profits derived on the sale of shares on which Share Transaction Levy (STL) has been paid is exempt from income tax.
- iii) Utilization of brought forward tax losses is restricted to 35% of current year's Statutory Income. Unabsorbed tax losses can be carried forward indefinitely.

16. Earnings per share

The Company's basic earnings per share is calculated on the profit attributable to the shareholders of Ceylon Investment PLC over the weighted average number of ordinary shares outstanding during the year, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

The following reflects the earning and share data used for the computation of earnings per share:

| For the year ended 31st March | 2014 | 2013 |
|--|--------------|--------------|
| Amount used as the numerator | | |
| Profit for the year | 1,152,357 | 1,181,968 |
| Amount used as denominator | | |
| Weighted average number of ordinary shares outstanding during the year | 98,514,874 | 98,514,874 |
| Earnings per share (Rs.) | 11.70 | 12.00 |

17. Dividend

| For the year ended 31st March | 2014 | 2013 |
|----------------------------------|-------------|-------------|
| Dividend paid | | |
| First and final dividend | 172,401 | 123,144 |
| Proposed/interim dividend | | |
| Interim/final dividend | 246,287 | 172,401 |
| Dividend per share | 2.50 | 1.75 |



Notes to the Financial Statements



In Rupees Thousands

18. Investment in equity accounted investees

18.a. Investment in equity accounted investees (unquoted)

| | No. of shares | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of shares | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|---|------------------|----------------------------|----------------------------------|------------------|----------------------------|----------------------------------|
| Rubber Investment Trust Limited | 3,948,445 | 296 | 7,893,941 | 3,948,445 | 296 | 9,179,749 |
| Total Investment in equity accounted investees | 3,948,445 | 296 | 7,893,941 | 3,948,445 | 296 | 9,179,749 |

18.b. Movements in investment in equity accounted investees

| | Holding % | Carrying Value as at 31st March 2014 | Fair value as at 31st March 2014 | Holding % | Carrying value as at 31st March 2013 | Fair value as at 31st March 2013 |
|--|-----------|--------------------------------------|----------------------------------|-----------|--------------------------------------|----------------------------------|
| Investors' share of net assets | | | | | | |
| At the beginning of the year | 49.95 | 5,023,797 | - | 49.95 | 4,501,481 | - |
| Share of profit of equity accounted investees net of tax | | 726,501 | - | | 728,539 | - |
| Share of other comprehensive expenses of equity accounted investees net of tax | | (816,768) | - | | (162,790) | - |
| Dividend income | | (194,928) | - | | (43,433) | - |
| At the end of the year | | 4,738,602 | - | | 5,023,797 | - |
| Total investment in equity accounted investees on equity method (18.a and 18.b) | | 4,738,898 | 7,893,941 | | 5,024,093 | 9,179,749 |

The fair valuation of Rubber Investment Trust Limited (RITL) is based on the net asset value of RITL after adjusting for the fair value of its investment portfolio.

18.c. Summarized financial information of associate

| As at 31st March | Total assets | | Total liabilities | |
|---------------------------------|--------------|------------|-------------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Rubber Investment Trust Limited | 9,669,427 | 10,204,781 | 40,978 | 4,817 |
| | 9,669,427 | 10,204,781 | 40,978 | 4,817 |





19. Available for sale financial assets

19.a. Summary

| | Note | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|--|------|-------------------------------------|---|-------------------------------------|---|
| Investments in equity securities | | | | | |
| Quoted | 19.1 | 1,862,382 | 2,333,412 | 1,213,614 | 1,834,874 |
| Unquoted | 19.2 | 973 | 973 | 543 | 543 |
| Private equity | 19.3 | - | - | 133,877 | 191,031 |
| Total investments in equity securities | | 1,863,355 | 2,334,385 | 1,348,034 | 2,026,448 |
| Investments in unit trusts | | | | | |
| Unlisted | 19.4 | 162,280 | 185,939 | 162,280 | 183,826 |
| Total investments in unit trusts | | 162,280 | 185,939 | 162,280 | 183,826 |
| Investments in debentures | | | | | |
| Unquoted | 19.5 | 1 | 1 | 1 | 1 |
| Total investments in debentures | | 1 | 1 | 1 | 1 |
| Total investment in available for sale financial assets | | 2,025,636 | 2,520,325 | 1,510,315 | 2,210,275 |

Note

- The fair value of the Company's listed equity portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.
- The fair value of investment in unit trusts are based on "net assets values" published by the custodian bank and the management company as at 31st March.
- The fair value of investment in private equity are arrived at based on valuation techniques such as forecasted cash flow projections, net asset valuation, earnings based valuation or expected realizable values in an arm's length transaction as appropriate.



Notes to the Financial Statements



In Rupees Thousands

19.b. Movement in available for sale financial Assets

| | As at 1st April 2013 | Additions | Disposals | Change in fair value | As at 31st March 2014 |
|----------------------------------|----------------------------|-----------|-----------|-------------------------|-----------------------------|
| Investments in equity securities | 2,026,448 | 882,626 | (611,019) | 36,330 | 2,334,385 |
| Investments in unit trusts | 183,826 | - | - | 2,113 | 185,939 |
| Investments in debentures | 1 | - | - | - | 1 |
| | 2,210,275 | 882,626 | (611,019) | 38,443 | 2,520,325 |

| | As at 1st April 2012 | Additions | Disposals | Change in fair value | As at 31st March 2013 |
|----------------------------------|----------------------------|-----------|-----------|-------------------------|-----------------------------|
| Investments in equity securities | 2,053,416 | 275,240 | (552,964) | 250,756 | 2,026,448 |
| Investments in unit trusts | 164,125 | - | - | 19,701 | 183,826 |
| Investments in debentures | 1 | - | - | - | 1 |
| | 2,217,542 | 275,240 | (552,964) | 270,457 | 2,210,275 |

The change in fair value represents the net unrealized gains/(losses) on fair value adjustment of investment portfolios including any adjustment on impairment losses.

Since there is no significant/prolonged decline in fair value of investment in equity securities below its cost, no impairment loss has been recognised in the statement of comprehensive income for the year (2013 – Nil) as required by LKAS – 39 “Financial Instruments; recognition and measurement”. LKAS – 39 also requires to recognise fair value gains and losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, gains of Rs. 32.9 mn and Rs. 273.2 mn have been recognised in financial years 2014 and 2013 respectively.





19.1. Investments in equity securities - quoted

| | No. of shares | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of shares | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|--|---------------|----------------------------|----------------------------------|---------------|----------------------------|----------------------------------|
| Banks, Finance & Insurance | | | | | | |
| Central Finance Company PLC | 915,969 | 162,580 | 165,790 | 668,698 | 116,679 | 120,366 |
| Commercial Bank of Ceylon PLC | 4,751,486 | 314,705 | 584,432 | 6,682,396 | 442,595 | 755,111 |
| Sampath Bank PLC | 1,478,367 | 342,450 | 269,211 | 707,023 | 210,325 | 159,009 |
| Nations Trust Bank PLC | 2,542,368 | 155,330 | 165,000 | - | - | - |
| Peoples' Leasing & Finance PLC | 7,902,045 | 138,946 | 112,999 | 6,954,891 | 125,188 | 91,109 |
| | | 1,114,011 | 1,297,432 | | 894,787 | 1,125,595 |
| Diversified | | | | | | |
| Aitken Spence PLC | 1,674,000 | 168,425 | 163,885 | - | - | - |
| John Keells Holdings PLC | 1,366,896 | 82,277 | 310,285 | 1,610,641 | 68,500 | 397,828 |
| John Keells Holdings PLC - Warrants 2015 | 82,600 | - | 5,666 | - | - | - |
| John Keells Holdings PLC - Warrants 2016 | 82,600 | - | 5,939 | - | - | - |
| Hemas Holdings PLC | 802,116 | 27,069 | 30,240 | - | - | - |
| | | 277,771 | 516,015 | | 68,500 | 397,828 |
| Health Care | | | | | | |
| Asiri Surgical Hospitals PLC | - | - | - | 7,465,290 | 75,951 | 85,104 |
| Ceylon Hospitals PLC | 813,378 | 45,742 | 93,538 | 813,378 | 45,742 | 81,338 |
| | | 45,742 | 93,538 | | 121,693 | 166,442 |
| Hotels & Travels | | | | | | |
| Aitken Spence Hotel Holdings PLC | 1,959,575 | 128,634 | 137,170 | 1,959,575 | 128,634 | 145,009 |
| | | 128,634 | 137,170 | | 128,634 | 145,009 |
| Telecommunication | | | | | | |
| Dialog Axiata PLC | 28,629,514 | 264,781 | 257,666 | - | - | - |
| | | 264,781 | 257,666 | | - | - |
| Motors | | | | | | |
| Diesel & Motor Engineering PLC | 62,556 | 31,443 | 31,591 | - | - | - |
| | | 31,443 | 31,591 | | - | - |
| Total investments in equity securities - Quoted | | 1,862,382 | 2,333,412 | | 1,213,614 | 1,834,874 |

The fair value of the Company's investment portfolio is based on Volume Weighted Average price as at 31st March, published by the Colombo Stock Exchange.



Notes to the Financial Statements



In Rupees Thousands

19. Available for sale financial assets (contd.)

19.2. Investments in equity securities - unquoted

| | No. of shares | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of shares | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|--|---------------|----------------------------|----------------------------------|---------------|----------------------------|----------------------------------|
| Guardian Fund Management Limited | 7 | - | - | 7 | - | - |
| Kandy Private Hospitals Limited | 600 | 10 | 10 | 600 | 10 | 10 |
| DFCC Vardhana Bank | 55,253 | 963 | 963 | 42,975 | 533 | 533 |
| Total investments in equity securities - Unquoted | | 973 | 973 | | 543 | 543 |

19.3. Investments in equity securities - Private equity (unlisted)

| | No. of shares | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of shares | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|---|---------------|----------------------------|----------------------------------|---------------|----------------------------|----------------------------------|
| Durdans Medical & Surgical Hospital (Private) Limited | - | - | - | 10,612,858 | 133,877 | 191,031 |
| Total investments in equity securities - Private equity (unlisted) | - | - | - | | 133,877 | 191,031 |
| Total investment in equity securities | | 1,863,355 | 2,334,385 | | 1,348,034 | 2,026,448 |

19.4. Investments in unit trusts - unlisted

| | No. of units | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of units | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|-----------------------------------|--------------|----------------------------|----------------------------------|--------------|----------------------------|----------------------------------|
| The Sri Lanka Fund | 1,265,823 | 112,280 | 125,688 | 1,265,823 | 112,280 | 126,876 |
| Guardian Acuity Equity Fund | 1,250,000 | 12,500 | 15,438 | 1,250,000 | 12,500 | 14,350 |
| Guardian Acuity Fixed Income Fund | 3,750,000 | 37,500 | 44,813 | 3,750,000 | 37,500 | 42,600 |
| | | 162,280 | 185,939 | | 162,280 | 183,826 |

19.5. Investments in debentures - unlisted

| | No. of debentures | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | No. of debentures | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |
|---|-------------------|----------------------------|----------------------------------|-------------------|----------------------------|----------------------------------|
| Redeemable unsecured debentures | | | | | | |
| Ocean View Limited - 6% | 120 | 1 | 1 | 120 | 1 | 1 |
| Total investments in debentures - unquoted | | 1 | 1 | | 1 | 1 |





20. Trade and other receivables

| As at 31st March | 2014 | 2013 |
|----------------------|-------|--------|
| Financial | | |
| Trade receivable | 4,555 | 28,052 |
| Dividend receivable | 2,422 | 20,703 |
| | 6,977 | 48,755 |
| Non financial | | |
| Prepaid expenses | 50 | 214 |
| | 50 | 214 |
| | 7,027 | 48,969 |

21. Fair value through profit or loss financial assets

21.a. Summary

| | Note | Fair value as at 31st March 2014 | Fair value as at 31st March 2013 |
|--|------|---|---|
| Investment in equity securities | | | |
| Quoted | 21.1 | 644,802 | 503,630 |
| Total Investment in equity securities | | 644,802 | 503,630 |

The fair value of the Company's listed equity portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

21.b. Movement in fair value through profit or loss financial assets

| | Fair value as at 1st April 2013 | Additions | Disposals | Change in fair value | Fair value as at 31st March 2014 |
|---------------------------------|--|-----------|-----------|-------------------------|---|
| Investment in equity securities | 503,630 | 626,147 | (485,278) | 303 | 644,802 |
| | 503,630 | 626,147 | (485,278) | 303 | 644,802 |
| | | | | | |
| | Fair value as at 1st April 2012 | Additions | Disposals | Change in fair value | Fair value as at 31st March 2013 |
| Investment in equity securities | 456,395 | 369,493 | (374,925) | 52,667 | 503,630 |
| | 456,395 | 369,493 | (374,925) | 52,667 | 503,630 |

The change in fair value represent unrealized gains/(losses) on fair value adjustment of investment portfolio.



Notes to the Financial Statements



In Rupees Thousands

21.1. Investments in equity securities - Quoted

| | No. of shares | Fair value as at 31st March 2014 | No. of shares | Fair value as at 31st March 2013 |
|---|---------------|----------------------------------|---------------|----------------------------------|
| Banks, Finance and Insurance | | | | |
| Commercial Bank of Ceylon PLC | 270,000 | 33,210 | 706,284 | 79,810 |
| Development Finance Corporation of Ceylon PLC | 100,200 | 14,419 | - | - |
| Hatton National Bank PLC | 265,000 | 39,750 | - | - |
| Hatton National Bank PLC- Non Voting | 100,000 | 12,000 | - | - |
| National Development Bank PLC | 395,078 | 70,561 | 350,000 | 58,555 |
| | | 169,940 | | 138,365 |
| Beverage, Food and Tobacco | | | | |
| Ceylon Tobacco Company PLC | 22,827 | 24,105 | 24,827 | 19,382 |
| Distilleries Company of Sri Lanka PLC | 277,896 | 56,413 | 1,026,002 | 170,831 |
| | | 80,518 | | 190,213 |
| Construction and Engineering | | | | |
| Access Engineering PLC | 350,000 | 7,875 | - | - |
| | | 7,875 | | - |
| Diversified | | | | |
| Aitken Spence PLC | 510,000 | 49,929 | - | - |
| Expolanka Holdings PLC | 1,772,669 | 15,422 | - | - |
| Hemas Holdings PLC | 633,600 | 23,887 | - | - |
| John Keells Holdings PLC | 286,221 | 64,972 | - | - |
| John Keells Holdings PLC - Warrants 2015 | 333,300 | 22,864 | - | - |
| John Keells Warrants Holdings PLC -2016 | 755,000 | 54,285 | - | - |
| Trade Finance and Investments PLC | 136,600 | 2,554 | 594,188 | 146,764 |
| | | 233,913 | | 146,764 |
| Health Care | | | | |
| The Lanka Hospital Corporation PLC | 473,000 | 19,677 | - | - |
| | | 19,677 | | - |
| Hotels and Travels | | | | |
| Serendib Hotels PLC- Non Voting | 66,296 | 1,240 | - | - |
| | | 1,240 | | - |
| Land and Property | | | | |
| Overseas Realty (Ceylon) PLC | 600,000 | 12,300 | 291,423 | 8,888 |
| | | 12,300 | | 8,888 |





21.1. Investments in equity securities - quoted

| | No. of shares | Fair value As at 31st March 2014 | No. of shares | Fair value As at 31st March 2013 |
|---|---------------|----------------------------------|---------------|----------------------------------|
| Manufacturing | | | | |
| Kelani Tyres PLC | 300,000 | 15,660 | - | - |
| Piramal Lanka Glass Company PLC | - | - | - | - |
| Royal Ceramics Lanka PLC | 250,000 | 19,825 | 2,000,000 | 12,200 |
| | | 35,485 | | 12,200 |
| Power and Energy | | | | |
| Lanka IOC PLC | 1,110,000 | 42,735 | - | - |
| Laugfs GAS PLC | 185,200 | 6,019 | - | - |
| | | 48,754 | | - |
| Telecommunications | | | | |
| Dialog Axiata PLC | 3,900,000 | 35,100 | 800,000 | 7,200 |
| | | 35,100 | | 7,200 |
| Total Fair value through profit or loss financial assets- Quoted | | 644,802 | | 503,630 |

22. Cash and cash equivalents

| As at 31st March | 2014 | 2013 |
|---|---------|---------|
| Cash at bank | 2,009 | 14,952 |
| Placements with banking institutions | 599,052 | 759,042 |
| Investments under repurchase agreements | 208,133 | 188,427 |
| Total cash and cash equivalents | 809,194 | 962,421 |
| Bank overdraft | (2,697) | (446) |
| | (2,697) | (446) |
| Net cash and cash equivalents for the purpose of cash flow statement | 806,497 | 961,975 |



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In Rupees Thousands

23. Stated capital

| As at 31st March | 2014 | | 2013 | |
|------------------------|---------------|---------|---------------|---------|
| | No. of shares | Value | No. of shares | Value |
| Ordinary shares | | | | |
| Issued and fully paid | 98,514,874 | 673,530 | 98,514,874 | 673,530 |
| | | 673,530 | | 673,530 |

24. Capital and revenue reserve

24.1. Capital reserves

| As at 31st March | Note | 2014 | 2013 |
|-------------------------------------|--------|-----------|-----------|
| Investment reserve | 24.1.1 | 8,401 | 8,401 |
| Other capital reserve | 24.1.1 | 178,740 | 178,740 |
| Associate company's capital reserve | 24.1.3 | 1,521,992 | 2,338,760 |
| | | 1,709,133 | 2,525,901 |

24.1.1. Investment reserve and other capital reserve

These amounts have been reserved for use in future development of the Company.

24.1.2. Associate company's capital reserve

Share of associate company's capital reserve includes the investor's share of other comprehensive income of the associate company after the date of acquisition.

24.2. Revenue reserves

| As at 31st March | Note | 2014 | 2013 |
|--|--------|-----------|-----------|
| Fair value through profit or loss financial assets reserve | 24.2.1 | 14,526 | 43,436 |
| Available for sale financial assets reserve | 24.2.2 | 622,393 | 837,711 |
| General reserve | 24.2.3 | 27,217 | 27,217 |
| Retained earnings | | 5,378,573 | 4,615,994 |
| | | 6,042,709 | 5,524,358 |

24.2.1. Fair value through profit or loss financial assets reserve

Any gains arising from fair value adjustment will be transferred from retained earnings to "Fair value through profit or loss financial assets reserve" at the reporting date and any unrealised gains/losses arising will be transferred from "Fair value through profit or loss financial assets reserve" to retained earnings to the extent that loss does not exceed the balance held in the said reserve as at the date.

An amount of Rs.28.9 mn was transferred from (2013 - Rs.43.4 mn was transferred to) "Fair value through profit or loss financial assets reserve" resulting from the change in fair value of Fair value through profit or loss financial asset as shown in the Statement of Changes in Equity.





24.2.2. Available for sale financial assets reserve

This consists of net unrealised gains / (losses) arising from change in the fair value of available for sale financial assets excluding cumulative impairments losses incurred as at the reporting date, if any.

24.2.3. General reserve

These represents the amounts set aside by the Directors to meet any contingencies.

25. Trade and other payables

| As at 31st March | 2014 | 2013 |
|------------------------------|---------|--------|
| Financial | | |
| Trade payables | 9,000 | - |
| Dividend payable (note 25.1) | 246,286 | - |
| Other payables | 19,203 | 16,681 |
| | 274,489 | 16,681 |
| Non Financial | | |
| Provisions and accruals | 1,893 | 1,756 |
| | 1,893 | 1,756 |
| | 276,382 | 18,437 |

25.1. Amounts due to related entities

Dividend payable includes dividend payable to related entity Ceylon Guardian Investment Trust PLC, amounting to Rs. 158.5 mn (2013- Nil).

26. Events after the reporting date

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements.

27. Commitments and contingencies

27.1. Capital expenditure commitments

There were no material capital commitments as at the reporting date.

27.2. Contingencies

There were no material contingent liabilities as at the reporting date.



Notes to the Financial Statements



In Rupees Thousands

28. Related party transactions

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", the details of which are reported below.

28.1. Parent and ultimate controlling party

Ceylon Guardian Investment Trust PLC is the parent company of Ceylon Investment PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the ultimate parent company of Ceylon Investment PLC.

28.2. Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (including executive and non-executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

No transaction have taken place between the Company and its KMP during the year, except as disclosed below.

28.3. Key management personnel compensation comprised the following;

| For the Year ended 31 st March | 2014 | 2013 |
|--------------------------------|-------|-------|
| Short-term employee benefits | 2,100 | 2,100 |
| Post-employment benefits | - | - |
| Termination benefits | - | - |
| Other long-term benefits | - | - |
| Non cash benefits | - | - |
| | 2,100 | 2,100 |

28.4. Transactions with Related Companies

| Name of the related company | Name/s of the common Director/s | Nature of transactions | Value of the transaction | |
|--------------------------------------|---------------------------------|------------------------|--------------------------|--------|
| | | | 2014 | 2013 |
| Parent company | | | | |
| Ceylon Guardian Investment Trust PLC | I. Paulraj | Dividend paid | 267,474 | 79,259 |
| | D.C.R. Gunawardena | | | |
| | Mrs.M.A.R.C. Cooray | | | |
| | A. de Z. Gunasekera | | | |
| | V.M. Fernando | | | |
| | K. Selvanathan | | | |





| Name of the related company | Name/s of the common Director/s | Nature of transactions | Value of the transaction | |
|---|---------------------------------|--------------------------------|--------------------------|--------|
| | | | 2014 | 2013 |
| Associate | | | | |
| Rubber Investment Trust Limited | I. Paulraj | Dividends received | 194,926 | 43,433 |
| | D.C.R. Gunawardena | | | |
| | A.P. Weeratunge | | | |
| Fellow subsidiaries | | | | |
| Guardian Fund Management Limited (GFM) | K. Selvanathan | Portfolio management fees paid | 16,501 | 11,619 |
| | A.P. Weeratunge | | | |
| "Carsons Management Services (Private) Limited | A.P. Weeratunge | Support service fees paid | 9,341 | 5,387 |
| | K. Selvanathan | Computer fees paid | 420 | 420 |
| | | Secretarial fees paid | 300 | 300 |
| Other entities | | | | |
| Hatton National Bank PLC | Mrs.M.A.R.C. Cooray | Interest income received | - | 21,096 |
| | R. Theagarajah * | Placement in demand deposits | 831 | 831 |
| The Company as at the reporting date carries an approved inter-changeable short-term borrowing facility with Ceylon Guardian Investment Trust PLC, the parent company, to the value of Rs. 300/- mn (2013 - Rs. 300 mn) | | | | |

* Mr.R. Theagarajah is a Director of Carson Cumberbatch PLC, the ultimate entity of Ceylon Investment PLC, and was the CEO/MD of Hatton National Bank PLC during the financial year.

Amounts due to related entities are disclosed in note 25.1.

28.5. Significant Holdings

| | Holding % | |
|---------------------------------|-----------|--------|
| | 2014 | 2013 |
| Associate | | |
| Rubber Investment Trust Limited | 49.95% | 49.95% |



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In Rupees Thousands

29. Financial instruments

Financial risk management - overview

The Company has exposure to the following risks arising from financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Pages 14 to 17 also include a review of risks faced by the Company and the approach of managing such risks.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated this function to the Chief Executive Officer of Guardian Fund Management Limited, the Fund Managers, and Carsons Management Services (Private) Limited, the Managers; who are responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The company's investment portfolio comprises listed and unlisted equity securities. The company's investment manager has been given discretionary authority to manage the asset in line with the company's investment objectives.

Further, an Investment Committee drawn from across the Carsons Group directorate provide advice and insights to the fund management team to further sharpen and refine their decision making process. This comprehensive management structure determines the objectives and policies of the Company's risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Company.

29.1. Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or a counterparty to a financial instrument or an obliged party to a receivable fails to meet its contractual obligations and arises primarily on the Company's investments in fixed income earning securities, placements with banking institutions and receivables from market intermediaries and other counter parties, the Company has dealings with.

29.1.1. Credit risk exposure and managing the risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

| As at 31st March | Note | Carrying Amount | |
|---|------|-----------------|-----------|
| | | 2014 | 2013 |
| Available for sale financial assets - debentures | 19.5 | 1 | 1 |
| Available for sale financial assets - Investment in unit trusts | 19.4 | 185,939 | 183,826 |
| Trade and other receivables (financial) | 20 | 6,977 | 48,755 |
| Cash and cash equivalents - Cash at bank | 22 | 2,009 | 14,952 |
| Cash and cash equivalents - Placements with banking institutions | 22 | 599,052 | 759,042 |
| Cash and cash equivalents - Investments under repurchase agreements | 22 | 208,133 | 188,427 |
| | | 1,002,111 | 1,195,003 |





Available for sale financial assets

Debentures

These represents investment in debentures, which yields interest income on a continuing basis. However the Company's exposure to credit risk, arising from these investments is insignificant, considering the net investment value.

Investment in unit trusts

The Company has invested in three unit trusts; The Sri Lanka Fund, Guardian Acuity Equity Fund and Guardian Acuity Fixed Income Fund. The Group has infused promoters capital to each of these funds and the management of the underlying funds rests with the Group's investment management arm; Guardian Fund Management Limited.

Each of these investments are carried at their fair values; being the net asset value of the fund at each reporting date. The funds carry a mix of equity and fixed income earning instruments at a given point in time, with due consideration on liquidity, which will enable to realize its carrying values with a minimum loss in value. Further, these funds are regulated in such a way that the fund carry adequate assets in highly liquid form, generally 5% of the net assets value, which will ensure customer withdrawals are settled promptly.

A due evaluation process has been carried out by the Company prior to these investments, which included an assessment in to their ability to repay, in the event the Company wishes to withdraw.

Trade and other receivables

A significant portion of the trade and other receivable comprise of proceeds receivable on disposal of quoted securities and dividends receivable.

Settlement procedures surrounding the equity markets are highly structured and regulated. A T+3 settlement cycle is in place with the involvement of a custodian bank, which is being duly monitored by the regulator, hence provides assurance on the realization of the balances. Further, a due evaluation process, including a continuous assessment mechanism is in place in selecting the market intermediaries that the Company transacts with, which involves prior approval from the Board of Directors.

Dividend receivable is accounted for when the right to receive the dividend is established. The balances are settled within a maximum period of 4-6 weeks and no risk of default, based on past experience in the industry.

Age profile of trade and other receivables

The aging of trade and other receivables at the end of the reporting period that were not impaired was as follows

| As at 31st March | 2014 | 2013 |
|-------------------|-------|--------|
| Less than 30 days | 6,977 | 48,755 |
| | 6,977 | 48,755 |

The Company has neither recognized an impairment loss nor a allowance for impairment of its trade and other receivables over the past 5 years period.

Cash and cash equivalents

The Company held cash and equivalents in the form of short term fixed deposits, Repo investments and demand deposits with banks/financials institution counter parties. Hence the Company is exposed to the risk that such counter parties failing meet to the contractual obligation.



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The Company minimize the credit risk by monitoring the credit worthiness of the counter parties periodically.

An analysis of banking / financial institutional counter parties with whom the balances were held at each reporting period end is presented below.

| As at 31st March | 2014 | 2013 |
|------------------|---------|---------|
| Credit rating | | |
| AAA | 240 | 240 |
| AA+ | 238,205 | 947,470 |
| AA | 208,133 | 831 |
| AA- | 361,679 | - |
| Unrated | 937 | 13,880 |
| | 809,194 | 962,421 |

29.2. Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are required to be settled by delivering cash and/or another financial asset.

29.2.1.Exposure to liquidity risk

The following are the contractual maturities at the end of the reporting period arising on financial liabilities.

| As at 31st March 2014 | Carrying amount | Total | Contractual cash flows | | |
|---|-----------------|---------|------------------------|-------------|------------------|
| | | | up to 3 months | 3-12 months | More than a year |
| Non derivative financial liabilities | | | | | |
| Trade and other payables | 274,489 | 274,489 | 274,489 | - | - |
| Bank overdrafts | 2,697 | 2,697 | 2,697 | - | - |
| | 277,186 | 277,186 | 277,186 | - | - |

| As at 31st March 2013 | Carrying amount | Total | Contractual cash flows | | |
|---|-----------------|--------|------------------------|-------------|------------------|
| | | | up to 3 months | 3-12 months | More than a year |
| Non derivative financial liabilities | | | | | |
| Trade and other payables | 16,681 | 16,681 | 16,681 | - | - |
| Bank overdrafts | 446 | 446 | 446 | - | - |
| | 17,127 | 17,127 | 17,127 | - | - |

The ratio of net assets with a very shorter expected liquidation period (liquid assets) to total net assets is set out below.

| As at 31st March | 2014 | 2013 |
|--|---------|---------|
| Total liquid assets | 210,142 | 203,379 |
| Liquid assets as a % of total net assets | 2% | 2% |





29.2.2. Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains a portion of its assets in highly liquid form; demand deposits and placements in repurchase agreements in order to capitalize on the opportunities arising in volatile market conditions and to meet its contractual obligations during the normal course of its operations.

A significant portion of the Company's investment portfolio comprises listed equity investments which provides the Company with exposure to adequate liquidity, given the ability to convert in to cash and cash equivalents within a very short period of time.

In addition, the Company has access to approved financing arrangements in the form of an inter-changeable overdraft facility with Ceylon Guardian Investment Trust PLC, the parent company, an analysis of which as at each of the reporting dates are given below.

| As at 31st March | 2014 | 2013 |
|---|-----------|-----------|
| Unutilised short term credit facilities | 1,050,000 | 1,050,000 |
| | 1,050,000 | 1,050,000 |

29.3. Market risk

"The market risk is exposure to adverse movements in the security markets for both equity and fixed income investments, which can result variations in the anticipated returns from those securities. All financial institutions face market risks, created by changes in the macro environment related to political factors, national security, economic management and globalization influences which have an impact on systematic risk."

29.3.1. Interest rate risk

The Company is exposed to interest rate risk, arising from its placements with banking institutions, investments under repurchase agreement and short-term financing facilities, in the event such have been utilized.

Profile

At the end of the reporting period, the interest rate profile of the Company's interest-bearing financial instruments are as follows.

| As at 31st March | Carrying Amount | |
|---|-----------------|---------|
| | 2014 | 2013 |
| Financial assets | | |
| Placements with banking institutions | 599,052 | 759,042 |
| Investments under repurchase agreements | 208,133 | 188,427 |
| | 807,185 | 947,469 |
| Financial liabilities | | |
| Bank overdrafts | 2,697 | 446 |
| | 2,697 | 446 |



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In Rupees Thousands

The average base interest rates applied for the above financial instruments are as follows;

| As at 31st March | Carrying Amount | |
|---|-----------------|--------|
| | 2014 | 2013 |
| Commercial Banks Averaged Weighted Prime Lending Rate (AWPLR) * | 8.81% | 13.86% |
| Commercial Banks Averaged Weighted Fixed Deposit Rate (AWFDR) * | 10.47% | 13.94% |

* Monthly average rate

Sensitivity Analysis

A change of 1% in interest rates at the end of the reporting period would have increased/ (decreased) profit or loss by the amounts shown below.

| Movement in interest rate | Profit or loss | |
|-----------------------------------|----------------|----------------|
| | Increase in 1% | Decrease in 1% |
| As at 31 March 2014 | | |
| - On interest earning assets | 8,072 | (8,072) |
| - On interest bearing liabilities | (27) | 27 |
| | 8,045 | (8,045) |
| As at 31 March 2013 | | |
| - On interest earning assets | 9,475 | (9,475) |
| - On interest bearing liabilities | (4) | 4 |
| | 9,471 | (9,471) |

29.3.2. Other market price risks

Equity price risk

The Company itself being an investment house, where the principal activity being to act as specialized investment vehicle to undertake, among others; listed and private equity investments, accordingly the Company is exposed to equity price risk, having a substantial portion of 80% (2013 – 74%) of its discretionary investment portfolio designated as listed investments in the Colombo Stock Exchange and private equity investments, market volatilities bring in substantial volatility to the Company's earnings and value of its asset base as at the reporting date.

Listed equity investments

Management of the Company monitors the mix of debt and equity securities in its investment portfolio based on market indices, where decisions concerned with the timing of buy / sell decisions are well supported with structured in-house research recommendations. Transactions of a major magnitude are subject to review and approval by the Investment Committee.

Private equity investments

Due evaluations are carried out before-hand, extending to both financial and operational feasibility of the private equity projects that the Company ventures into, with a view to ascertain the Company's investment decision and the risks involved.

"Continuous monitoring of the operations against the budgets and the industry standards ensure that the projects meet the desired outcome, and thereby the returns. Further, the Company generally carries investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects - typically an 'Initial Public Offering' or a 'Buy-out' at a specified price agreed, which provides cover to a certain extent against movements in market conditions."





| As at 31st March | | Carrying Amount | |
|--|----|-----------------|-----------|
| | | 2014 | 2013 |
| Available for sale financial assets | 19 | 2,520,325 | 2,210,275 |
| Fair value through profit or loss financial assets | 21 | 644,802 | 503,630 |
| | | 3,165,127 | 2,713,905 |

A broad analysis of the investments made by the Company, based on the industry/sector is given in notes 19.1 and 21.1.

29.3.3. Currency risk

The Company is exposed to currency risk on its investments made that are denominated in a currency other than the respective functional currencies of the Company, primarily the Sri Lanka Rupee. Accordingly, the Company is exposed to currency risk primarily arising from its investment in 'The Sri Lanka Fund' – a country fund incorporated in Caymans Islands, to which the Company has infused promoters capital.

The net exposure to currency risk, as at the reporting date is as follows.

| As at 31st March | Currency | Carrying Amount | |
|--|------------|-----------------|-----------|
| | | 2014 | 2013 |
| Investments in Unit Trusts - The Sri Lanka Fund | LKR (000') | 125,688 | 126,876 |
| Investments in Unit Trusts - The Sri Lanka Fund | USD | 961,432 | 1,012,497 |
| Exchange rates applied as at the reporting dates - USD/LKR | | 130.73 | 125.31 |

Sensitivity analysis

A strengthening / (weakening) of the USD against the Sri Lanka Rupee would have increased/(decreased) the equity as at the end of the period by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of further investments or withdrawals.

No impact to profit or loss arises from a movement in the foreign exchange rates, provided such movements in value of 'Available for sale financial assets' resulting from a movement in foreign exchange rates. Such movements are required to be recognised in other comprehensive income, as provided for in Sri Lanka Accounting Standard (LKAS - 39 - "Financial Instruments; Recognition and measurement").

| Movement in exchange rate | Equity | |
|---------------------------------------|---------------|-----------|
| | Strengthening | Weakening |
| As at 31 March 2014 | | |
| - United State Dollars (1% movement) | (1,257) | 1,257 |
| | (1,257) | 1,257 |
| As at 31 March 2013 | | |
| - United State Dollars (1% movement) | (1,269) | 1,269 |
| | (1,269) | 1,269 |



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29.4. Accounting classification and fair values

The fair values of financial assets and liabilities together with the respective carrying amounts as shown in the statement of financial position are as follows.

| As at 31st March 2014 | Fair value through profit or loss | Held to maturity | Loans and receivables | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|--|-----------------------------------|------------------|-----------------------|--------------------|-----------------------------|-----------------------|------------------|
| Assets | | | | | | | |
| Available for sale financial assets | - | - | - | 2,520,325 | - | 2,520,325 | 2,520,325 |
| Trade and other receivables | - | - | 6,977 | - | - | 6,977 | 6,977 |
| Fair value through profit or loss financial assets | 644,802 | - | - | - | - | 644,802 | 644,802 |
| Cash and cash equivalents | - | - | 809,194 | - | - | 809,194 | 809,194 |
| Total financial assets | 644,802 | - | 816,171 | 2,520,325 | - | 3,981,298 | 3,981,298 |

| | | | | | | | |
|------------------------------------|----------|----------|----------|----------|----------------|----------------|----------------|
| Liabilities | | | | | | | |
| Trade and other payables | - | - | - | - | 274,489 | 274,489 | 274,489 |
| Bank overdraft | - | - | - | - | 2,697 | 2,697 | 2,697 |
| Total financial liabilities | - | - | - | - | 277,186 | 277,186 | 277,186 |

| As at 31st March 2013 | Fair value through profit or loss | Held to maturity | Loans and receivables | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|--|-----------------------------------|------------------|-----------------------|--------------------|-----------------------------|-----------------------|------------------|
| Assets | | | | | | | |
| Available-for-sale financial assets | - | - | - | 2,210,275 | - | 2,210,275 | 2,210,275 |
| Trade and other receivables | - | - | 48,755 | - | - | 48,755 | 48,755 |
| Fair value through profit or loss financial assets | 503,630 | - | - | - | - | 503,630 | 503,630 |
| Cash and cash equivalents | - | - | 962,421 | - | - | 962,421 | 962,421 |
| Total financial assets | 503,630 | - | 1,011,176 | 2,210,275 | - | 3,725,081 | 3,725,081 |

| | | | | | | | |
|------------------------------------|----------|----------|----------|----------|---------------|---------------|---------------|
| Liabilities | | | | | | | |
| Trade and other payables | - | - | - | - | 16,681 | 16,681 | 16,681 |
| Bank overdraft | - | - | - | - | 446 | 446 | 446 |
| Total financial liabilities | - | - | - | - | 17,127 | 17,127 | 17,127 |

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1: Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived prices).

Level 3: Use of inputs for the asset or liability that are not based on observable market data (unobservable inputs).





| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|---------|---------|-----------|
| As at 31 Mar 2014 | | | | |
| Equity securities - available for sale financial assets | 2,519,351 | - | 974 | 2,520,325 |
| Equity securities - Fair value through profit or loss financial assets | 644,802 | - | - | 644,802 |
| | 3,164,153 | - | 974 | 3,165,127 |
| As at 31 Mar 2013 | | | | |
| Equity securities - available for sale financial assets | 2,018,700 | 191,031 | 544 | 2,210,275 |
| Equity securities - Fair value through profit or loss financial assets | 503,630 | - | - | 503,630 |
| | 2,522,330 | 191,031 | 544 | 2,713,905 |

No movements have occurred in the fair value measurements in Level 3 of the fair value hierarchy, during the year.

30. Segmental reporting

The company's Chief Operating Decision Maker (CODM) monitors the operating results of the entity as a whole considering the operations as a single segment (Equity investments) for the purpose of making decisions about resource allocation and performance. Therefore no disclosure is made on operating segments.

31. Comparative figures

Previous years' figures and phrases have been rearranged wherever necessary to conform to the current year's presentations.

Changes in accounting policies and methods of computation - Equity accounted investees

The Group financial statements of Bukit Darah PLC has been restated due to amendments to SLFRS 19 which removes the corridor mechanism for defined benefit plans and no longer allows actuarial gains and losses to be recognised in profit or loss. The distinction between short term and long term employee benefits is based on expected timing of settlement rather than employee entitlement. This resulted in re-statement of the financial statements of the associate Company Rubber Investment Trust Limited. Accordingly, the share of profit and the share of other comprehensive expenses of equity accounted investees for the financial year ended 31st March 2013 have been re-stated as given below.

| For the year ended | 31st March 2013 | |
|--|---------------------|-----------|
| | Previously reported | Restated |
| Statement of comprehensive income | | |
| Share of profit of equity accounted investees net of tax | 725,942 | 728,539 |
| Share of other comprehensive expenses of equity accounted investees net of tax | (140,714) | (162,790) |
| | 585,228 | 565,749 |
| As at | | |
| Statement of financial position | | |
| Investment in equity accounted investees | 5,043,572 | 5,024,093 |
| | 5,043,572 | 5,024,093 |

32. Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements. This is more fully described under the relevant clause in the Directors' report.



Five year summary



In Rupees Thousands

| For the year ended/ As at 31st March | SLFRS/LKAS | | | SLAS | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Financial highlights | | | | | |
| Revenue | | | | | |
| Net gain on disposal of investments | 323,900 | 282,639 | 671,129 | 556,884 | 830,849 |
| Dividend income | 252,761 | 134,591 | 129,763 | 80,394 | 129,052 |
| Interest income | 115,046 | 72,180 | 36,126 | 11,303 | 61,403 |
| | 691,707 | 489,410 | 837,018 | 648,581 | 1,021,304 |
| Less : | | | | | |
| Dividend received from associate company | (194,928) | (43,433) | (40,970) | (25,193) | (92,460) |
| Sales proceed on sale re-purchase by associate company | - | - | - | - | (348,392) |
| | 496,779 | 445,977 | 796,048 | 623,388 | 580,452 |
| Fair value adjustment - unrealized | 303 | 52,667 | (322,893) | 112,410 | 84,788 |
| Profit on investment activities | 497,082 | 498,644 | 473,155 | 735,798 | 665,240 |
| Profit before taxation | | | | | |
| | 1,182,416 | 1,200,571 | 1,087,196 | 1,341,057 | 1,002,992 |
| Income tax expenses | (30,059) | (18,603) | (6,129) | (434) | (14,109) |
| Profit for the year | 1,152,357 | 1,181,968 | 1,081,067 | 1,340,623 | 988,883 |
| Dividend paid | | | | | |
| | 418,688 | 123,144 | 98,515 | 129,421 | 169,020 |
| Statement of financial position | | | | | |
| Capital employed | | | | | |
| Stated capital | 673,530 | 673,530 | 673,530 | 673,530 | 506,074 |
| Reserves | 7,751,842 | 8,050,259 | 7,093,279 | 6,994,586 | 4,242,443 |
| Total equity | 8,425,372 | 8,723,789 | 7,766,809 | 7,668,116 | 4,748,517 |
| Assets employed | | | | | |
| Investments | 7,259,223 | 7,234,368 | 6,719,319 | 7,169,723 | 4,366,021 |
| Current assets | 1,461,023 | 1,515,020 | 1,065,141 | 713,597 | 424,201 |
| | 8,720,246 | 8,749,388 | 7,784,460 | 7,883,320 | 4,790,222 |
| Current liabilities | (294,874) | (25,599) | (17,651) | (215,204) | (41,705) |
| Net assets | 8,425,372 | 8,723,789 | 7,766,809 | 7,668,116 | 4,748,517 |
| Statement of Cash Flow | | | | | |
| Net cash generated from/(used in) operating activities | 16,037 | 492,886 | 882,207 | (86,241) | 314,216 |
| Net cash used in financing activities | (171,515) | (122,305) | (96,272) | (125,720) | (1,078,203) |
| Net (decrease)/increase in cash & cash equivalents | (155,478) | 370,581 | 785,935 | (211,961) | (763,987) |





| For the year ended / As at 31st March | SLFRS/LKAS | | | SLAS | |
|---|------------|------------|------------|------------|-----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Ratios & statistics | | | | | |
| Operational ratio | | | | | |
| Return on ordinary shareholders funds (%) | 13.47 | 13.55 | 13.91 | 17.48 | 20.83 |
| Liquidity ratio | | | | | |
| Current ratio (Times) | 4.95 | 59.18 | 60.34 | 3.32 | 10.17 |
| Investor ratio | | | | | |
| Earnings per share (adjusted) (Rs.) | 11.70 | 12.00 | 10.97 | 13.61 | 9.72 |
| Dividend per share proposed/ Interim (Rs.) ** | 2.50 | 1.75 | 1.25 | 1.00 | 6.70 |
| Dividend cover (times) | 4.68 | 6.84 | 8.78 | 13.61 | 1.45 |
| Dividend growth (%) | 43 | 40 | 25 | (85) | (4) |
| Dividend yield (%) | 3.36 | 2.19 | 1.60 | 0.66 | 2.47 |
| Dividend payout ratio (%) | 21.37 | 14.62 | 11.39 | 7.35 | 68.90 |
| Net assets per share - book value (Rs.) | 85.52 | 88.55 | 78.84 | 77.84 | 245.83 |
| Net assets per share - market value (Rs.) | 117.55 | 130.74 | 139.03 | 180.61 | 340.86 |
| Market value per share (Rs.) * | 74.50 | 80.00 | 78.30 | 151.00 | 271.00 |
| Price earning ratio (times) | 6.37 | 6.67 | 7.14 | 11.10 | 27.88 |
| Price to book value ratio (times) | 0.87 | 0.90 | 0.99 | 1.94 | 1.10 |
| Fair value of investments (Rs.) | 11,865,565 | 12,855,629 | 13,697,271 | 17,797,997 | 6,602,416 |
| Market capitalisation (Rs.000') | 7,339,358 | 7,881,190 | 7,713,715 | 14,875,746 | 5,234,810 |
| All Share Price Index (points) | 5,968 | 5,736 | 5,420 | 7,226 | 3,725 |
| S&P SL 20 Index (points) | 3,280 | 3,294 | 2,986 | 3,893 | 2,142 |

* As at 31st March.

** Based on proposed/interim dividends.



Financial Highlights - US \$ Financials



In United State Dollars

| For the year ended 31st March | 2014 | 2013 | Change (%) |
|--|-------------|-------------|------------|
| Revenue | 3,818,146 | 3,441,712 | 11 |
| Profit from operations | 3,516,647 | 3,642,862 | (3) |
| Share of profit of equity accounted investees net of tax | 5,583,745 | 5,622,311 | (1) |
| Profit before taxation | 9,087,818 | 9,265,096 | (2) |
| Profit for the year | 8,856,790 | 9,121,532 | (3) |
| Total other comprehensive expense for the year | (7,932,410) | (785,955) | 909 |
| Total comprehensive income for the year | 924,380 | 8,335,577 | (89) |
| Net cash generated from operating activities | 123,259 | 3,803,708 | (97) |
| Total equity | 64,448,649 | 68,772,479 | (6) |
| Return on ordinary shareholders' funds (%) | 13.74 | 13.26 | 7 |
| Earnings per share (USD) | 0.09 | 0.09 | - |
| Dividend per share (USD) * | 0.02 | 0.01 | 100 |
| Net assets per share - Book value | 0.65 | 0.70 | (6) |
| Net assets per share - Market value | 0.90 | 1.03 | (13) |
| Ceylon Investment PLC - Fund value ** | 90,763,902 | 101,345,124 | (10) |
| Market capitalization (Company) | 56,141,346 | 62,129,996 | (10) |

* Based on proposed/ interim dividends

** Based on fair value of portfolio after adjusting for cash and cash equivalents



Statement of Comprehensive Income



In United State Dollars

| For the year ended 31st March | 2014 | 2013 |
|--|-------------|-------------|
| Revenue | 3,818,146 | 3,441,712 |
| Net change in fair value of fair value through profit or loss financial assets | 2,329 | 406,444 |
| Profit on investment activities | 3,820,475 | 3,848,156 |
| Administrative and other operating expenses | (303,828) | (205,294) |
| Profit from operations | 3,516,647 | 3,642,862 |
| Net finance income expense | (12,574) | (77) |
| Profit from operations after net finance expenses | 3,504,073 | 3,642,785 |
| Share of profit of equity accounted investees net of tax | 5,583,745 | 5,622,311 |
| Profit before taxation | 9,087,818 | 9,265,096 |
| Income tax expenses | (231,028) | (143,564) |
| Profit for the year | 8,856,790 | 9,121,532 |
| Other comprehensive income | | |
| Share of other comprehensive expenses of equity accounted investees net of tax | (6,277,519) | (1,256,290) |
| Net change in fair value of available for sale financial assets | 253,286 | 2,108,713 |
| Transfer of realized gains on available for sale financial assets | (1,950,357) | (1,616,847) |
| Foreign currency differences arising on translation of available for sale financial assets | 42,180 | (21,531) |
| Total other comprehensive expense for the year | (7,932,410) | (785,955) |
| Total comprehensive income for the year | 924,380 | 8,335,577 |
| Earnings per share (USD) | 0.09 | 0.09 |
| Dividend per share (USD)* | 0.02 | 0.01 |

* Dividend per share is based on the proposed/ interim dividends.



Statement of Financial Position



In United States Dollars

| As at 31st March | 2014 | 2013 |
|--|-------------------|-------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Investment in equity accounted investees | 36,249,507 | 39,606,567 |
| Available for sale financial assets | 19,278,857 | 17,424,320 |
| Total non-current assets | 55,528,364 | 57,030,887 |
| Current Assets | | |
| Trade and other receivables | 53,752 | 386,039 |
| Fair value through profit or loss financial assets | 4,932,319 | 3,970,280 |
| Cash and cash equivalents | 6,189,811 | 7,587,079 |
| Total current assets | 11,175,882 | 11,943,398 |
| Total assets | 66,704,246 | 68,974,285 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Stated capital | 5,868,428 | 5,868,428 |
| Capital reserves | 16,828,339 | 23,105,935 |
| Revenue reserves | 41,751,882 | 39,798,116 |
| Total equity | 64,448,649 | 68,772,479 |
| Current Liabilities | | |
| Trade & other payables | 2,114,145 | 145,346 |
| Current tax payable | 120,822 | 52,944 |
| Bank overdraft | 20,630 | 3,516 |
| Total current liabilities | 2,255,597 | 201,806 |
| Total liabilities | 2,255,597 | 201,806 |
| Total equity and liabilities | 66,704,246 | 68,974,285 |
| Net assets per share - Book value (USD) | 0.65 | 0.70 |
| Net assets per share - Market value (USD) | 0.90 | 1.03 |



Five year summary

In United State Dollars

| For the year ended/ As at 31st March | SLFRS/LKAS | | SLAS | | |
|---|--------------------|-------------------|-------------------|--------------------|--------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Financial highlights | | | | | |
| Revenue | | | | | |
| Net gain on disposal of investments | 2,489,431 | 2,181,186 | 5,982,608 | 5,071,372 | 7,231,691 |
| Dividend income | 1,942,672 | 1,038,668 | 1,156,739 | 699,748 | 1,123,266 |
| Interest income | 884,221 | 557,029 | 322,036 | 98,381 | 534,450 |
| | 5,316,324 | 3,776,883 | 7,461,383 | 5,869,501 | 8,889,407 |
| Less : | | | | | |
| Dividend received from associate company | (1,498,178) | (335,171) | (365,216) | (219,288) | (804,770) |
| Sales proceed on sale re-purchase by associate company | - | - | - | - | (3,032,396) |
| | 3,818,146 | 3,441,712 | 7,096,167 | 5,650,213 | 5,052,241 |
| Fair value adjustment - unrealized | 2,329 | 406,444 | (2,878,348) | 1,018,853 | 737,993 |
| Profit on investment activities | 3,820,475 | 3,848,156 | 4,217,819 | 6,669,066 | 5,790,234 |
| Profit before taxation | | | | | |
| | 9,087,818 | 9,265,096 | 9,691,531 | 12,154,963 | 10,490,302 |
| Income tax expenses | (231,028) | (143,564) | (54,635) | (3,934) | (3,934) |
| Profit for the year | 8,856,790 | 9,121,532 | 9,636,896 | 12,151,029 | 10,486,368 |
| Dividend paid | | | | | |
| | 1,892,915 | 1,330,460 | 961,308 | 892,911 | 1,126,482 |
| Statement of financial position | | | | | |
| Capital employed | | | | | |
| Stated capital | 5,868,428 | 5,868,428 | 5,868,428 | 5,868,428 | 4,374,019 |
| Reserves | 58,580,221 | 62,904,051 | 54,762,399 | 63,589,144 | 37,250,429 |
| Total equity | 64,448,649 | 68,772,479 | 60,630,827 | 69,457,572 | 41,624,448 |
| Assets employed | | | | | |
| Investments | 55,528,364 | 57,030,887 | 52,453,701 | 64,943,134 | 38,271,573 |
| Current Assets | 11,175,882 | 11,943,398 | 8,314,918 | 6,463,741 | 3,749,790 |
| | 66,704,246 | 68,974,285 | 60,768,619 | 71,406,875 | 42,021,363 |
| Current liabilities | (2,255,597) | (201,806) | (137,792) | (1,949,303) | (396,915) |
| Net assets | 64,448,649 | 68,772,479 | 60,630,827 | 69,457,572 | 41,624,448 |
| Statement of cash flow | | | | | |
| Net cash generated from/(used in) from operating activities | 123,259 | 3,803,708 | 7,822,376 | (755,969) | 2,734,929 |
| Net cash used in financing activities | (1,318,232) | (943,854) | (831,592) | (1,102,034) | (9,384,655) |
| Net (decrease)/increase in cash & cash equivalents | (1,194,973) | 2,859,854 | 6,990,784 | (1,858,003) | (6,649,726) |

Five year summary



In United State Dollars

RATIOS & STATISTICS

| For the year ended/As at 31st March | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------|-------------|-------------|-------------|------------|
| Operating ratio | | | | | |
| Return on ordinary shareholders' funds (%) | 13.74 | 13.42 | 15.89 | 17.49 | 25.19 |
| Liquidity ratio | | | | | |
| Current ratio (times) | 4.95 | 59.18 | 60.34 | 3.32 | 9.45 |
| Investor ratios | | | | | |
| Earnings per share | 0.09 | 0.09 | 0.08 | 0.12 | 0.38 |
| Net assets per share-Book value | 0.65 | 0.70 | 0.62 | 0.71 | 2.15 |
| Net assets per share-Market value | 0.90 | 1.03 | 1.09 | 1.64 | 2.99 |
| Market capitalization | 56,141,346 | 62,129,996 | 60,216,354 | 134,744,076 | 45,887,184 |
| Fair value of investments | 90,763,902 | 101,345,124 | 106,926,394 | 162,975,888 | 57,876,275 |



Notes to the Financial Statements



(All figures are in United states Dollars)

1. Basis of conversion

The translation of Sri Lankan Rupee amounts in to US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of financial statements.

The translation of the financial statements in to US Dollar were effected based on the following exchange rates.

| | 2014 | 2013 |
|--|--------|--------|
| Income statement - Average rate | 130.11 | 129.58 |
| Monetary assets and liabilities - Closing rate | 130.73 | 126.85 |
| Non-monetary assets and liabilities - Closing rate | 130.73 | 126.85 |
| Ordinary share capital - Historical rate | | |

Gains or losses on conversion are accounted for in the revenue reserve

2. Revenue reserve

| For the year ended 31st March | 2014 US \$ | 2013 US \$ |
|-------------------------------|---------------|---------------|
| Beginning of the year | 39,798,116 | 30,400,174 |
| Net movement during the year | 3,983,944 | 8,641,534 |
| | 43,782,060 | 39,041,708 |
| Currency fluctuations | (2,030,178) | 756,408 |
| As at the end of the year | 41,751,882 | 39,798,116 |



Information to shareholders and investors



1. Stock Exchange Listing

Ceylon Investment PLC is a public quoted company, the ordinary shares of which are listed on the main board of the Colombo Stock Exchange of Sri Lanka.

Stock Exchange code for Ceylon Investment PLC shares is "CINV".

2. Share valuation

The market price of the Company's shares as at 31st March 2014 was Rs. 74.50 per share (2013 – Rs.80/-).

3. Ordinary shareholders

| As at 31st March | 2014 | 2013 |
|------------------------|-------|-------|
| Number of shareholders | 2,338 | 2,442 |

The number of shares held by non-residents as at 31st March, 2014 was 4,405,177 which amounts to 4.47% (2013 – 4,060,531/ 4.12%).

| Distribution of Shares | Residents | | | Non-Residents | | | Total | | |
|------------------------|----------------------|---------------|-------|---------------------|---------------|------|----------------------|---------------|--------|
| | No. of share-holders | No. of Shares | % | No of share-holders | No. of Shares | % | No. of share-holders | No. of Shares | % |
| 1 - 1,000 | 1,427 | 385,094 | 0.39 | 12 | 6,610 | 0.01 | 1,439 | 391,704 | 0.40 |
| 1001 - 10,000 | 613 | 2,142,496 | 2.17 | 23 | 112,299 | 0.11 | 636 | 2,254,795 | 2.28 |
| 10,001 - 100,000 | 170 | 5,260,500 | 5.34 | 28 | 844,567 | 0.86 | 198 | 6,105,067 | 6.20 |
| 100,001 - 1,000,000 | 52 | 17,328,593 | 17.59 | 07 | 1,517,695 | 1.54 | 59 | 18,846,288 | 19.13 |
| Above 1,000,000 | 05 | 68,993,014 | 70.04 | 01 | 1,924,006 | 1.95 | 06 | 70,917,020 | 71.99 |
| Total | 2,267 | 94,109,697 | 95.53 | 71 | 4,405,177 | 4.47 | 2,338 | 98,514,874 | 100.00 |

| Categories of shareholders | No. of shareholders | No. of Shares | % |
|----------------------------|---------------------|---------------|--------|
| Individuals | 2,143 | 19,688,019 | 19.98 |
| Institutions | 195 | 78,826,855 | 80.02 |
| Total | 2,338 | 98,514,874 | 100.00 |

4. Market performance – ordinary shares

| For the year ended 31st March | 2014 | 2013 |
|------------------------------------|-------------|-------------|
| Share price as at 31st March (Rs.) | 74.50 | 80.00 |
| Highest (Rs.) | 102.00 | 115.00 |
| Lowest (Rs.) | 73.10 | 58.10 |
| Value of shares traded (Rs.) | 241,309,176 | 160,211,091 |
| No. of shares traded | 2,996,697 | 1,853,360 |
| Volume of transactions (Nos.) | 2,138 | 2,410 |
| Market capitalization (Rs.'000) | 7,339,358 | 7,881,190 |





5. Market capitalisation

Market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs.7,339,358,113/- as at 31st March 2014 (as at 31st March 2013 - Rs.7,881,189,920/-).

6. Record of Bonus Issues, Rights Issues, Repurchase and Subdivision of shares

The undermentioned share issues/repurchase have been made by the Company to date, in relation to its ordinary shares:

| Year ended 31st March | Month | Issue | Basis | No. of Shares | Cumulative No. of shares |
|-----------------------|-----------|----------------------------|-------|---------------|--------------------------|
| 1919 | | Initial Capital | - | 547,343 | 547,343 |
| 1954 | | Bonus | 1:10 | 54,734 | 602,077 |
| 1956 | | Bonus | 1:10 | 60,208 | 662,285 |
| 1988 | | Bonus | 1:1 | 662,285 | 1,324,570 |
| 1991 | | Bonus | 1:5 | 264,914 | 1,589,484 |
| 1999 | | Bonus | 1:4 | 397,371 | 1,986,855 |
| 2000 | | Bonus | 1:4 | 496,714 | 2,483,569 |
| 2002 | April | Rights | 1:4 | 620,892 | 3,104,461 |
| | May | Bonus | 1:4 | 776,115 | 3,880,576 |
| 2003 | June | Rights | 1:3 | 1,293,525 | 5,174,101 |
| | August | Bonus | 1:6 | 862,350 | 6,036,451 |
| 2004 | July | Rights | 1:2 | 3,018,225 | 9,054,676 |
| | September | Bonus | 1:2 | 4,527,338 | 13,582,014 |
| 2005 | March | Rights | 1:3 | 4,527,338 | 18,109,352 |
| | June | Bonus | 1:3 | 6,036,451 | 24,145,803 |
| 2009 | October | Repurchase | 1:5 | (4,829,161) | 19,316,642 |
| 2010 | October | Subdivision | 5:1 | 77,266,568 | 96,583,210 |
| | October | Capitalization of reserves | 1:50 | 1,931,664 | 98,514,874 |

7. Dividends

A 1st Interim Dividend of Rs.2/50 per share for the financial year ended 31st March 2014, amounting to Rs.246,287,185/- was declared and paid on 4th April 2014.

8. Public holding

The total percentage of shares held by public as at 31st March 2014 was 35.19% (2013 – 35.64%).

9. Major Shareholders

A list of major shareholders of the Company as at the balance sheet date is provided in the Annual Report of the Board of Directors on page 24.



Notice of Meeting



NOTICE IS HEREBY GIVEN that the Sixty Eighth Annual General Meeting of **CEYLON INVESTMENT PLC** will be held on Wednesday, the 30th day of July 2014 at 9.30 a.m. at Hilton Colombo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Independent Auditors' Report thereon.
2. To re-elect Mrs.M.A.R.C. Cooray who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
3. To re-elect Mr.A.P. Weeratunge who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
4. To re-appoint Mr.I. Paulraj as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr.I. Paulraj who is 77 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year".
5. To re-appoint Mr.A de Z. Gunasekera as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr.A. de Z. Gunasekera who is 74 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year".
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd.)

K.D. De Silva (Mrs.)

Director

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

Secretaries

Colombo,

25th June 2014

Notes:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 9.30 a.m. on 28th July 2014.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security Check -
We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.



Form of Proxy



*I/ We

of

being *a Member/Members of Ceylon Investment PLC hereby appoint

of

bearing NIC No./ Passport No.....or failing him/her

| | |
|--|-----------------|
| Israel Paulraj | or failing him, |
| Don Chandima Rajakaruna Gunawardena | or failing him, |
| Ajith Prashantha Weeratunge | or failing him, |
| Mirihana Arachchige Rose Chandralatha Cooray | or failing her, |
| Asoka de Z. Gunasekera | or failing him, |
| Vernon Manilal Fernando | or failing him, |
| Krishna Selvanathan | |

as *my/our proxy to attend at the 68th Annual General Meeting of the Company to be held on Wednesday, the 30th day of July 2014 at 9.30 a.m. at Hilton Colombo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| | For | Against |
|---|--------------------------|--------------------------|
| (1) To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Independent Auditors' Report thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) To re-elect Mrs.M.A.R.C. Cooray who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) To re-elect Mr.A.P. Weeratunge who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) To re-appoint Mr.I. Paulraj who is over Seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) To re-appoint Mr.A. de Z. Gunasekera who is over Seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this.....day of Two Thousand and Fourteen.

.....
Signature /s

- (a) *Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.



Form of Proxy



INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 71 of the Articles of Association of the Company:
The instrument appointing a proxy shall be in writing and :
 - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
 - (ii) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the Company.

4. In terms of Article 66 of the Articles of Association of the Company:

In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of members in respect of the joint holding.

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 9.30 a.m. on 28th July 2014.

Please fill in the following details:

| | | |
|-----------------|---|----------------|
| Name | : | |
| Address | : | |
| Jointly with | : | |
| Share Folio No. | : | |



Corporate Information

Name of the Company

Ceylon Investment PLC
(A Carson Cumberbatch Company)

Company Registration No.

PQ 68

Domicile and Legal Form

Ceylon Investment PLC is a Public Quoted Company with limited liability domiciled in Sri Lanka.
The Company was incorporated in Sri Lanka in 1919.

Principal Activity and Nature of Operations

During the year, the principal activity of the Company was holding and managing of an investment portfolio.

Directors

Mr.I. Paulraj (Chairman)
Mr.D.C.R. Gunawardena
Mr.A.P. Weeratunge
Mrs.M.A.R.C. Cooray
Mr.A. de Z. Gunasekera
Mr.V.M. Fernando
Mr.K. Selvanathan

Bankers

Standard Chartered Bank
HSBC
Commercial Bank of Ceylon PLC
Deutsche Bank AG
Hatton National Bank PLC

Auditors

Messrs. KPMG
Chartered Accountants
No. 32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03,
Sri Lanka.

Managers & Secretaries

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha,
Colombo 01,
Sri Lanka.

Telephone No: +94-11-2039200

Fax No: +94-11-2039300

Fund Manager

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha,
Colombo 01,
Sri Lanka.

Telephone No: +94-11-2039200

Fax No: +94-11-2439777

Registered Office & Principal Place of Business

No. 61, Janadhipathi Mawatha,
Colombo 01,
Sri Lanka.

Telephone No: +94-11-2039200

Fax No: +94-11-2039300

Corporate Website

www.carsoncumberbatch.com

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Aitken Spence Printing & Packaging (Pvt) Ltd

Ceylon Investment PLC - PQ 68



ADDITIONAL INFORMATION TO SHAREHOLDERS

We are herewith circulating the portfolio of the company's associate company, Rubber Investment Trust Limited. The investment in associate company is accounted in "Equity Method" of accounting in the company's published financial statement as required by the Sri Lanka Accounting Standard - LKAS 28 "Investments in Associates"

INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

(Amounts expressed in Sri Lankan Rupee thousands)

| | Note | 2014 | | 2013 | |
|--|------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | | Cost as at 31st March | Fair Value as at 31st March | Cost as at 31st March | Fair Value as at 31st March |
| Investment in equity accounted investees | 1 | 1,927 | 12,076,963 | 1,927 | 14,419,186 |
| Available for sale financial assets | 2 | 454,921 | 2,142,615 | 338,099 | 2,776,948 |
| Fair value through profit or loss financial assets | 3 | - | 404,923 | - | 296,136 |
| | | 456,848 | 14,624,501 | 340,026 | 17,492,270 |

| 1. Investment in equity accounted investees | % Holding | 2014 | | % Holding | 2013 | |
|---|-----------|----------------------------|----------------------------------|-----------|----------------------------|----------------------------------|
| | | Cost as at 31st March 2014 | Fair value as at 31st March 2014 | | Cost as at 31st March 2013 | Fair value as at 31st March 2013 |

Quoted

| | | | | | | |
|-----------------|--------|-------|------------|--------|-------|------------|
| Bukit Darah PLC | 20.04% | 1,927 | 12,076,963 | 20.04% | 1,927 | 14,419,186 |
| | | 1,927 | 12,076,963 | | 1,927 | 14,419,186 |

| 2. Available for sale financial assets | No. of Shares | 2014 | | No. of Shares | 2013 | |
|--|---------------|-----------------------|-----------------------------|---------------|-----------------------|-----------------------------|
| | | Cost as at 31st March | Fair value as at 31st March | | Cost as at 31st March | Fair value as at 31st March |

(A) Quoted

Diversified

| | | | | | | |
|---|-----------|---------|-----------|------------|---------|-----------|
| John Keells Holdings PLC | 9,122,814 | 453,955 | 2,070,879 | 11,240,529 | 337,563 | 2,776,412 |
| John Keells Holdings Warrants - 2015 | 503,706 | - | 34,554 | - | - | - |
| John Keells Holdings Warrants - 2016 | 503,706 | - | 36,216 | - | - | - |
| | | 453,955 | 2,141,649 | | 337,563 | 2,776,412 |
| Total investment in available for sale financial assets - Quoted | | 453,955 | 2,141,649 | | 337,563 | 2,776,412 |





| 2. Available for sale financial assets (contd.) | 2014 | | | 2013 | | |
|---|---------------|-----------------------|-----------------------------|---------------|-----------------------|-----------------------------|
| | No. of Shares | Cost as at 31st March | Fair value as at 31st March | No. of Shares | Cost as at 31st March | Fair value as at 31st March |
| (B) Unquoted | | | | | | |
| DFCC Vardhana Bank | 55,253 | 963 | 963 | 42,975 | 533 | 533 |
| | | 963 | 963 | | 533 | 533 |
| Total investment in available for sale financial assets - Unquoted | 963 | 963 | 533 | 533 | | |
| (C) Investments in Debentures | | | | | | |
| Redeemable unsecured | | | | | | |
| Riverina Hotels Limited | 56 | 1 | 1 | 56 | 1 | 1 |
| Ocean View Limited - 6% | 120 | 1 | 1 | 120 | 1 | 1 |
| Total Investment in Debentures | | 2 | 2 | | 2 | 2 |
| (D) Preference Shares | | | | | | |
| Bukit Darah PLC - 8% | 31,875 | 1 | 1 | 31,875 | 1 | 1 |
| Total Investment in Preference Shares | 1 | 1 | 1 | 1 | | |
| Total investment in available for sale financial assets | | 454,921 | 2,142,615 | | 338,099 | 2,776,948 |





| 3. | Fair value through profit or loss financial assets | No. of Shares | Fair value as at 31st March 2014 | No. of Shares | Fair value as at 31st March 2013 |
|---------------------------------------|--|---------------|----------------------------------|---------------|----------------------------------|
| Banks, Finance & Insurance | | | | | |
| | Commercial Bank of Ceylon PLC | 310,537 | 38,196 | 441,040 | 49,838 |
| | DFCC Bank PLC | 113,124 | 16,278 | - | - |
| | Hatton National Bank PLC | 285,000 | 42,750 | 390,000 | 65,247 |
| | National Development Bank PLC | 416,525 | 74,391 | - | - |
| | Nations Trust Bank PLC | 100,000 | 6,490 | - | - |
| | People's Leasing & Finance PLC | - | - | 180,688 | 2,367 |
| | | | 178,105 | | 117,452 |
| Beverage, Food & Tobacco | | | | | |
| | Ceylon Tobacco Company PLC | 18,340 | 19,367 | 24,340 | 19,002 |
| | Distilleries Company of Sri Lanka PLC | 121,278 | 24,619 | 393,644 | 65,542 |
| | | | 43,986 | | 84,544 |
| Diversified | | | | | |
| | Aitken Spence PLC | 370,218 | 36,244 | - | - |
| | Expolanka Holdings PLC | 200,000 | 1,740 | - | - |
| | Hemas Holdings PLC | 634,488 | 23,920 | - | - |
| | John Keells Holdings PLC | 189,239 | 42,957 | 295,234 | 72,922 |
| | John Keells Holdings Warrants 2016 | 100,000 | 7,190 | - | - |
| | | | 112,051 | | 72,922 |
| Healthcare | | | | | |
| | The Lanka Hospital Corporation PLC | 60,000 | 2,496 | - | - |
| | | | 2,496 | | - |
| Hotels & Travels | | | | | |
| | Aitken Spence Hotel Holdings PLC | 200,577 | 14,040 | 200,577 | 14,843 |
| | Asian Hotels Botets & Travel Properties PLC | 97,000 | 5,704 | - | - |
| | | | 19,744 | | 14,843 |
| Manufacturing | | | | | |
| | Kelani Tyres PLC | 179,849 | 9,388 | - | - |
| | | | 9,388 | | - |





| 3 | Fair value through profit or loss financial assets (Contd.) | No. of Shares | Fair value as at 31st March 2014 | No. of Shares | Fair value as at 31st March 2013 |
|---|---|---------------|----------------------------------|---------------|----------------------------------|
| | Power and Energy | | | | |
| | Lanka IOC PLC | 600,000 | 23,100 | - | - |
| | Laugfs Gas PLC | 125,775 | 4,088 | - | - |
| | | | 27,188 | | - |
| | Telecommunications | | | | |
| | Dialog Axiata PLC | 1,329,448 | 11,965 | 750,000 | 6,375 |
| | | | 11,965 | | 6,375 |
| | Total investment in fair value through profit or loss financial assets | | 404,923 | | 296,136 |

